BUSIN... IS BAD

2019

by:-

HERBERT CASSON

SHRI SHANKAR KARNATAK PUSTAKA BHANDAR,

MALAMADDI, DHARWAR.

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WHAT TO DO WHEN BUSINESS IS BAD

First Indian Edition

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By
HERBERT N. CASSON

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SOME BOOKS BY HERBERT CASSON

PREFACE

OF all the books that I have written, and this is the 115th, this book will, I believe, be the most useful to the largest number of business men. In every country, there are good years and bad years. And in a bad year there are methods to be adopted, by large and small firms alike.

In the main, this book has a double purpose:—

(1) To point out as definitely as possible what a business man should do when his profits are not satisfactory.

(2) To stimulate him and put him in the humour to make a strong effort to do these things.

In overcoming business difficulties, first there must be knowledge and then there must be action. Consequently, this book gives the necessary knowledge, and also has chapters to strengthen his will, increase his ambition and self-confidence, and start him, I hope, on the road that leads to success and happiness.

When business is bad, a man must do every economical thing to increase his sales. He must have more money coming in and less money going out. He must make a list of his "frozen assets." He must work with might and main to give his business a better cash position. He must stop the leaks and the wastes, drop the parasites and cheer on his profit-makers. He must act, for a time, as a liquidator.

Every year we are told the number of businesses

that fail, but we never know the number of businesses that are on the brink of failure. Some of these on-the-brink firms will make a strong effort, or make a change in management, and escape from a dangerous position.

But most of them will continue to stumble along until they fall over the edge, into the abyss of bankruptcy. Most of them remain unteachable to the last. It is almost impossible to help them. As a rule, about three out of four failures might have been prevented by a bit of quick action.

Even in a good year, there are likely to be about four thousand bankruptcies in Great Britain. In a bad year there have usually been twice as many. This would seem to show that half of the failures in a bad year are not due to bad conditions, but to bad management. All the people who fail in a bad year, blame the depression for the failure. And only half of them are right. The other half would have failed in a good year.

The worst thing that any business can do, when its profits have fallen, is to DRIFT. During a boom period, a firm may drift and prosper. It is swung along in the general advance. But when business is bad, there must be an end to drifting. There must be initiative and great activity. The employees must do more, not less. A go-ahead movement must be started. The depression must not be allowed to come INSIDE the firm.

A motor-car will run down a hill without petrol. Give it a forty-mile-an-hour start, and it will run for several hundred yards on a level road without petrol. But without the push of petrol it will not run up a hill.

The same is true of any business. When there is a boom, it will run almost automatically. When there are fairly good business conditions, it will run for a long time on momentum. But when business conditions are bad—when there are far more sellers than buyers—no business will move ahead profitably unless it is pushed.

It is an easy thing to buy petrol to drive a car, but it is not at all easy to use the methods that drive a business. Advertising, for instance, is not easy. It requires great skill to produce and place advertisements that are profitable. Staff training is not easy. It requires time and money.

To put a bit of enthusiasm into a business—that is not easy. Enthusiasm begins at the top of a business and percolates down. To drive a business uphill at a fair speed—that is not easy, but it can be done. As the hen said to her chicks—"When the worms are scarce we must scratch harder."

HERBERT N. CASSON

Chapter One

THE DANGER OF DRIFTING

IN spite of their intelligence in many lines, the great mass of the Chinese people believe in evil spirits. Their whole life is a struggle, so they think, against these invisible enemies.

This belief explains many things in China. They believe that these evil spirits can only fly in a straight line. Therefore they have crooked streets and paths. They erect a wall inside a gate. In this way they baffle the spirits. Also, they believe that the spirits are frightened away by fireworks and coloured streamers. They have standardised methods of protecting themselves.

In this country, we no longer believe in such nonsense, but we, too, have in a way our evil spirits. We have FEAR, DOUBT, APATHY. They can do as much harm to us as any real demons in the air. Many a man in this country has the spirit of fear, or doubt, or apathy. It prevents him from learning or from taking steps to improve his business.

It must be said in favour of the Chinese that they FIGHT their evil spirits. They are not passive. They make crooked streets and wave streamers and set off fireworks. So should we, surely, fight evil spirits of fear, doubt and apathy. We can overcome them by courage, self-confidence and ambition.

At the Dirt Track Motor-bike Races a black and white flag is held up at the last lap. It means " You

are finished." It means that the race is over. As soon as a rider sees this flag beside him he slackens. The race is over. He may have won or lost.

It occurred to me, the last time I saw Dirt Track Racing, that thousands of our business men are acting as though someone had waved a black and white flag in front of them. They have slackened down. They are no longer trying to win the race that is going on every day in trade and commerce. They are acting as though they had no competitors —as though they were not in the race.

The fact is that we have a race every day in business. The white flag of the starter is waved every morning at nine o'clock, and the black and white flag is not waved until five or six o'clock. If only business men had the same skill and dash in driving their firms forward that our lads have in racing around a Dirt Track, there would be fewer failures in business and more winners and record-breakers.

Many a man becomes bored stiff with his business affairs. He loses interest in his business. He is "fed up" with the routine of it. He becomes so apathetic that his wife is alarmed and sends him to a doctor. The doctor gives a Latin name to his trouble and hands him a prescription.

Now, such a man could be cured completely if he were to try efficiency, not medicines. The study of efficiency would throw a floodlight on his business. He would for the first time see it clearly and see the whole of it. Very soon he would begin to do a bit of creative work, and that is the one best remedy for apathy and mental depression.

There seem to be thousands of business men, so-

called, in Great Britain, who regard their business as their chief trouble. Apparently their problem is —how to get rid of the business and have no troubles at all.

So, as these men want to make their business fade out, here are a few suggestions to make it fade out faster:—

(1) Sell Goods Below Cost.—Simply pay no attention to cost. If a thing does not sell at 10/-, mark it down to 5/-. Join the "Price-Cutters Union." Its members will give you plenty of tips as to how to make a business fade out.

(2) Cut Out Your Advertising.—It is a sheer waste of money to a man who doesn't want the nuisance of new customers. Give people a chance to forget about your business.

(3) Don't Put Yourself Out for Customers.—They are the chief cause of trouble. They have become altogether too fussy. If a customer is unpleasant and worrying, tell him off. Then he is not likely to bother you again.

(4) Stick to the Old Ways.—What was good enough for your father is good enough for you. All this Efficiency talk is only "hot air" to a man who wants his business to fade out. All these new-fangled things only mean more expense and trouble and new customers. Have nothing to do with them.

So, here are four sure, quick ways of getting rid of a business. They are being used by thousands of shopkeepers and manufacturers. They are very effective. If your business is not fading out fast enough, better concentrate on these four methods. They are the best that I know of to kill any business.

Is it not true that the great mass of people, even in Great Britain, are more or less "fed up" with the work that gives them their profits or salaries or wages? And if this is true, isn't it a serious thing? Does it not do perhaps most of all to decrease the success and happiness of the mass of people?

If all the people in any average firm, from the Managing Director to the doorman, suddenly became keenly interested in their work, wouldn't they be happier and make more money? Of course they would.

The truth is that most of us are not at all like ants and bees, that care nothing for amusements and detest idleness. There is a lazy streak in most of us, not as much in women as in men. For hundreds of generations, women did the work, while men did the hunting and fighting.

The men who built the Pyramids and the Great Wall of China did not work because of the joy of it. They worked because they were compelled to work by soldiers and overseers. There are still hundreds of thousands of natives in Africa who do not work at all. They live in crude huts and eat nuts and fruits. When the Government sends them seed to plant, they eat it.

As all women know, most men need to be prodded or rewarded in order to make them keep on working. In civilised countries the stimulants are the wives and children and the pay-envelope. Invariably, there must be some kind of compulsion.

In a word, the interest in work is an acquired quality, like a taste for olives. The mass of men work only because they MUST. To all those of us who are employers, this is a vitally important fact.

We have to solve this problem—how to make our people keenly interested in their work.

If they are " fed up " with what they are doing, they will not do it very well, and they will not be satisfied with their lives. They will work more or less in a state of apathy, like Robots. They will job along in a rut, and do about 60 per cent of what they could do. There are even some 30 per cent workers.

An employer should ask himself this question—" How can I induce my people to give favourable attention to their work? How can I make them bright-eyed and keen? "

He can do this by giving them more personal attention, by asking them for suggestions, by offering bonuses for efficiency, by having staff meetings, by giving them less blame and more praise, and by stimulating them to read business books and magazines and so on.

No employer should be complacent if most of his people are " fed-up " with their work. He should take steps to change the mental conditions in his firm.

Almost everyone of us has now and then a mood of depression. Napoleon had one when he was twenty-one. He wrote in his Diary—" I fear my career is at an end."

Many young men have these moods of depression. I dare say that I had them myself when I was a young man. But I never allowed such a mood to become permanent. At the first good news I escaped from it. A mood should be regarded as a temporary thing. Then it will not have serious effects.

When the top of a tree is cut off, little shoots start out from the stump, and soon there are branches with green leaves making a splash of colour above it. The roots, you see, are intact. They are still sending up the sap that creates branches and foliage.

So, now and then there is a man whose life has been cut down to a mere stump. He may have lost his wife and family. And perhaps his money, too.

He feels that he has come to an end, but he should remember that he still has his roots. The shoots of new interests may spring up. He is still alive. He should not wholly lose hope.

When a watch's mainspring is broken, it still looks like a watch. But it is not of the slightest use for any purpose. So with the man. If his mainspring is broken, he still looks like a man, but he has lost his value.

What is his mainspring? It is his power to make an effort—his power to push himself upwards. When a man's mainspring is broken, he only drifts along, like a piece of wood on a river. He has no value until he repairs himself.

A rather keen young man whom I met in a railway carriage asked me a hard question. He said —"Can you tell me in a sentence what success depends on?" I told him—"It depends on the power to make an effort."

Very likely, there might have been a better answer, but that was the best one I could think of at the moment. And on second thoughts I cannot think of a better one.

Certainly, the main thing that PREVENTS Success is APATHY—jogging along in a rut. There are

millions of men in Great Britain who lack the power to make an effort. They do not push forward. They only drift. They do their work in a casual way. They do what they must do and no more. Not once in their lives have they tried to do their best.

All through their lives they remain as common as clothes-pegs. As they have little value, their wages are always low. They remain stuck fast in the rank and file. Probably a third of them may have really good abilities, but they live and die without finding out what these abilities are, as they never make an effort.

Many a clerk jogs along like a Robot. He has a good head for figures. If he made an effort, he could become a Chartered Accountant.

Many a sales girl does her work in a spirit of indifference. She could be very competent if she tried. In four years she could become the head of a department. But the last thing she thinks of is a study of salesmanship.

Many a salesman could develop himself into a Sales Manager, but he has no ambition. He is content to be no more than a sample-carrier. His pay envelope contains only a third as much money as it might have if he made an effort.

Many a mechanic goes to his factory and works like a clockwork figure. He does no headwork. He studies nothing in his evenings and week-ends. He has the makings of a good foreman in him, but he never discovers his latent abilities. In most jobs it is possible to do the routine work only, without any mental effort. And most people do what is easiest and no more.

How, then, can a man acquire the power to make an effort? He must first WANT to be successful. Then he must shape a purpose in his mind or take on a hard job.

In his daily work he can set a quota for himself —a mark to aim at. A quota more or less compels a man to make an effort. He can force himself to master five business books or a Course of Study. He can stop wasting his spare time and begin to use at least a third of it to develop his abilities.

If he cannot do these things—the first steps towards success—then there is no hope for him. He will remain in a rut all his life. No one ever yet achieved any worthwhile success unless he had the power to MAKE AN EFFORT.

Isn't it true that a trade or industry is like a living thing? Isn't it true that there are constant changes in materials, products and buying-habits? That is why a rut is dangerous. Any firm that is stuck in a rut of routine will soon be in more or less trouble.

The number of new materials produced by chemists during the last ten years is almost beyond belief. There is now artificial wool as well as artificial silk. The timber trade finds itself competing with a score of substitutes for wood. And ice-making companies are competing with electrical refrigeration.

After the war women and girls decided to wear short hair. This brought trouble to the hair-pin and ribbon businesses, and it created a marvellous boom in hairdressing, Today longer hair is becoming more popular, and hairdressers are wondering what to do about it.

A hatless fad has started among men in both Britain and the United States. What will it do to the hatters? A no-stocking fad has started among women and girls. What will it do to the stocking trade? As for firms in the millinery trade, "eternal vigilance" is the price of net profits. No one can tell what sort of hats women will be wearing next year.

Fashion has more influence today than ever before. It is no longer the privilege of the rich. A mill-girl now wants to have a touch of style. The word "Up-to-date" is vastly more important today than it was thirty years ago. Nearly everybody wants "the latest."

So, with a host of designers and inventors and chemists making new products, and with a generation of customers who prefer whatever is new, a rut is more dangerous today than it has ever been. No firm can jog along to success in a world of flux. As soon as people begin to call it "obsolete" it is in great danger.

The fact is that any firm needs to be constantly stimulated by specialised knowledge coming into it from outside. No firm is original enough to be self-sufficient. Neither can any firm afford to ignore the trend of fashion and improvement.

Observation! Teachability! Initiative! There are no more useful qualities than these in the business world of today. Make no mistake about that. These are the three qualities that do most of all to keep a firm out of a rut.

There is a big difference between managing Clapham Junction and managing a business. Clapham Junction must maintain its automaticity, if

you'll excuse this long word. And a business must maintain its initiative. A business must have its routine work, but if it loses its initiative it will fall into a rut and its profits will go down.

"Write down ten things you don't like about your business. Then try to find some way of correcting these things." So says Charles F. Kettering, the famous research man. This is the one easiest way, he says, for a man to start a little Research Movement in his own business.

Anything that is satisfactory should be let alone. But whatever is unsatisfactory should be investigated and improved. No doubt, any reader of this book, in half an hour, can write down ten things about his business that he does not like. That would turn out to be a very profitable half an hour.

A Balance Sheet is a sort of annual Judgment Day. The figures tell the tale. They put a business on the right hand or on the left—among the sheep or the goats. A company may muddle along for a year. The man at the top may be unteachable and complacent. He may reject every suggestion of improvement. He may fool himself and fancy that all's well. He may drift along without knowing the vital facts about his business, but only for a year.

Then the Auditor rises up and blows his trumpet like Gabriel and presents the unwelcome Balance Sheet. He then finds that his company earned only 2 per cent on its capital. He may find that it earned no net at all. He may find a red ink loss. The amazing fact is that a company often has a bad Balance Sheet year after year, and yet takes no decisive action. For such companies there is no

excuse. A Balance Sheet brings praise or warning. If it brings a warning, then something must be done at once. The business is in danger.

The heads of any business are put to the test when they receive a bad Balance Sheet. It will either weaken them or spur them on to make a mighty effort. The best story told of General Foch is this. During one of the battles of the Great War he said to his Staff—"My left wing is turned; my centre is giving way; I attack."

When Hitler seized Austria there was a temporary fall in retail sales, even in London. Some merchants at once cancelled their advertising, but Austin Reed said—"Take larger spaces."

Whenever any firm finds that its sales have fallen, the heads of the firm should at once have a Conference on "What to Do." As the ordinary methods of pushing sales have not been good enough, then new extra methods must be adopted. Instead of being slowed down by a bad year, a firm should be stimulated to make an effort. It must call up its reserves and ATTACK.

There is no more helpless sensation in the world than skidding. There seems to be no sure way of jerking a motor-car out of a skid. If there is a way, very few people know it. So, when a man's business suddenly skids in the wrong direction, usually he has a feeling of helplessness. He sits and does nothing.

He need not feel helpless. There is a way to pull a business out of a skid. A man should at once find out the causes of his losses. He should deal quickly with these losses and he should push the department of his business that is most profitable.

When any trouble crops up in a business, it is a wise policy to deal with it quickly. If it is neglected, it will soon start other troubles. A small trouble is like a cut on your finger, which must be cleaned and sterilised at once. Even a scratch may lead to blood-poisoning. Sometimes it causes death.

Now and then a small trouble will start a whole chain of troubles. As we know, many a serious strike or lock-out has been started by some trifling matter that was not dealt with quickly.

I saw a humorous article in a small town weekly paper published in Canada. The editor was attacking the habit of borrowing his paper instead of subscribing for it. So he invented this story, which shows that one trouble leads to another.

A miserly man, he said, sent his son to borrow this weekly paper from a neighbour. Coming back, the boy tripped over a beehive and was badly stung. The father went to the aid of his son, ran into a barbed-wire fence and ruined a 20/- pair of trousers.

The cow was stung, ran out of the gate and was killed by a motor-car. The wife rushed out, knocked over a churn and spilled four gallons of cream.

The baby fell into the cream and then crawled over a £2 rug, spoiling it. The mother fainted and broke a £10 set of false teeth. And the daughter took advantage of all the fuss and eloped with the ploughman. As you can see, the editor of this little weekly paper is more witty than truthful, but there is a bit of truth in his amusing yarn.

Many a time a man tries to save twopence and loses pounds. Many a time a small trouble is neglected and brings on a chain of larger troubles.

Whenever a Managing Director notices a little

friction between two of his executives, he will be wise to deal with the matter quickly, before the friction develops into a feud.

Whenever the sales fall off 5 per cent in a territory, a competent Sales Manager will find out the cause at once and not wait until there is a 20 per cent drop. Here we can see the value of having daily and weekly Reports. They enable us to deal with losses and troubles quickly.

Always, the man who lacks the energy and nerve to face troubles is the one who has the most. He allows his small troubles to grow into large ones.

At a meeting of business men in Manchester, a progressive man gave an address and pointed out a practical way whereby the cotton companies could increase their foreign trade. At the end of his speech there was, of course, a man who rose and said—" It is not an easy matter for the cotton men to increase their trade," etc.

Invariably, when any speaker at a meeting suggests some progressive step that can be taken, there is someone in the audience who rises and says—" It is not an easy matter. There are difficulties," etc. This happens, too, in many Conferences and at meetings of Boards of Directors. There is often an " easy matter " man.

It ought to be understood that the suggestion of difficulties should never put a stop to the discussion of a project. Of course, there are difficulties. If the job is easy, it is probably not worth doing. Business men should say—" Good. Here is a jolly hard job. It is likely to be profitable. Let's get on with it."

As soon as any man starts to move forward, he

will find that he has obstacles. He won't discover them until he starts to move. A pillar-box has no obstacles. It is bedded fast in two feet of concrete. But a motor-car has plenty of obstacles. A motor-car has obstacles inside and outside. Sometimes it can't go because of some inside breakage or defect or lack of petrol.

There are two kinds of men. Some are like pillar-boxes, stuck fast in a rut, and some are like motor-cars, moving forward in spite of obstacles. A man's worst obstacles are inside of him. They are under his hat. They are his fears, his weak will, his lack of knowledge and so on.

Every forward movement is likely to cause a bit of a disturbance. Somebody's nose will be put out of joint. Someone will say—"You should not do that." And so nothing is done. Also, there are still more people who are held back because they do not know clearly what to do. They lack specialised knowledge.

They are held back by ignorance. Most men are, more or less. They cannot take action because they do not know enough. And if they do act, they are not likely to act wisely. There is no doubt that nearly all of us, wise and otherwise, are being held back much more than we realise by our INSIDE OBSTACLES.

The English Channel was too wide for Napoleon to cross. All he could do was to stand on the French coast and look through a telescope at the white cliffs of Dover. To cross the Channel was a three-hour journey by sailing-ship, with a good wind.

Then came the fast steamships that crossed in an hour. Today the aeroplanes flash across in a

few minutes. The aeroplane pilots never speak of the "Channel." They call it the "Ditch."

So, there are many obstacles in the business world that have shrunk since efficiency became known. It is now possible, for instance, to create a nation-wide demand for a new product in ONE DAY, through the use of advertising.

CHAPTER TWO

LEARN WHAT YOU NEED TO KNOW

THERE is a fool of a word that I would like to see struck out of the dictionary. It is the word "OBVIOUS." It is the one word that a man is most likely to say when you point out a vital fact in his business that he had never before noticed. He says it as a method of self-excuse, and as a method of belittling what you have done for him.

Many a time I have gone into a business to try to increase its net profits. I have gathered data. I have sweated and swotted over this data until I found out what to do. Then, when I have solved the problem, the Managing Director has said—"Yes, of course. Obvious, isn't it?"

The dictionary definition of "obvious" is "easily and plainly to be perceived." Now, this is a totally wrong definition. The "obvious" things in a man's business are very seldom "easily and plainly perceived." Almost always they are not seen at all. The eyes notice only what is unusual. That is an "obvious" fact that few men know until they are told.

There is many a man who has not really SEEN his business for the last ten years. He is in the midst of most important "obvious" things which he does not see.

I would go as far as to say that no man ever discovers the "obvious" things about his business unless he calls in a skilled outsider, or unless he

spends days going on a quest for these things. The "obvious" things in a business are never seen with a careless glance. They have to be searched for and dug up.

First, as many facts as possible must be gathered. Old opinions and delusions must be set aside. The first thing is to LEARN. Then, when the facts are gathered, there must be a period of hard THINKING. First learn, then think—that is the only way to discover the "obvious" thing that ought to be done.

As we know, every puzzle and brain-twister is simple when you know the answer. As soon as you know it, the answer is "obvious." But it is certainly not "obvious" at first.

All business problems are like brain-twisters. Anything is simple when you know how. But it is not simple until you have mastered it by fact-finding and thought. You can prove the truth of this by spending half a day searching for the "obvious" things in your business.

It is amazing how many decisions we make on matters of which we really know little or nothing. A man will justify himself by saying—"I use my common sense." How much good would that answer be in chemistry or astronomy or engineering? Since when did "common sense" give a man facts and figures and specialised knowledge?

Every well-managed large firm does its best to get rid of guess-work by having a statistical department. A smaller firm can have at least one statistical clerk, who is set free from the routine work of book-keeping, and who gives his whole time to preparing facts, figures and percentages for the Managing Director.

A small trader can give at least an hour or two a week to finding out the exact figures about his business. We usually fool ourselves when we guess. We do not know the unpleasant facts—the sort of facts that we need most to know. The whole history of efficiency is the story of the elimination of guesswork and putting exact knowledge in its place.

Every one of us needs a candid friend who dares to tell us what we need to know, no matter how unpleasant. Most of us, especially as we grow older, make it very difficult for any one to tell us of our defects and mistakes. Many a man is fortunate. He has a wife who acts as a candid friend. But there are some men who cannot be told unpleasant truths even by their wives. The fact is that any man is in danger if there is no one at all who dares to speak to him freely and frankly.

Mr. H. C. Armstrong, in his book "GREY STEEL," tells the story of the close friendship that existed between General Smuts and Louis Botha. These two men were as different as any two men could be, but nothing ever happened to break the ties of friendship that bound them. During the Great War, Smuts was offered the command of the British Army in Egypt. He wanted to accept, but he first telegraphed to Botha for advice. Botha replied—"Advise you to refuse. We both know you are no general." So Smuts refused. Soon afterwards he was invited to join the War Cabinet. He was fortunate in having a candid friend.

In the past, hundreds of millions of people believed that—

The moon causes madness—lunacy.

Laurels protect houses from lightning.

Carrying a potato cures rheumatism.

Witches can cause shipwrecks.

Bees grow from flowers.

A King's touch cures certain diseases.

If you study the history of superstition, you will find that nothing is too silly to be believed; and we still have, in the business world, old ideas, methods, and traditions that are almost as silly as the superstitions of the past. Here, for instance, are a few of them:

"It pays to engage the cheapest workers."

"It pays to use obsolete equipment."

"There is no practical business knowledge in books."

"'My business is unique.'"

"It is profitable to have five or six 'Sales' a year and smash prices."

"The best time to buy securities and property is when there is a boom."

Many men believe these rules and act on them. Several of them are almost universally believed. But from the point of view of increasing the net profit, there is nothing to be said in their favour. They are just modern superstitions.

Every one of us holds fast to a lot of Opinions, and it is amazing how few of them are based on a study of the facts. Any little personal experience is enough, very often to give us an Opinion, which we hold fast to until it becomes a Belief.

A London man, for instance, pays a visit to Manchester. He comes back and expresses his opinion—"Business is bad in Lancashire." During his visit, he met only three men, all in the cotton trade, and he forms his Opinion about Lancashire

from what these three men told him.

A grocer decides to spend £25 on advertising. He draws up the advertisements himself, although he knows no more about copy-writing than he does about astronomy. In his advertisements there are no headlines—nothing but the name of his firm. The copy is stale stuff. There are no special offers. Naturally, he sees no results at all from his advertisements. Then he forms an Opinion—"Advertising doesn't pay."

A young novelist is jilted by a girl. She first leads him on and then throws him over. So he writes a bitter novel against girls. He forms an Opinion—"All girls are not to be trusted."

Every one of us is influenced by such Opinions as these to a far greater extent than we realise. All of us have prejudices against certain companies or classes of people or new business methods, and perhaps every prejudice started with some trifling personal experience.

It is bad logic to form an opinion on one fact. It is bad logic to say—"Smith cheated me. Smith is a plumber. Therefore all plumbers need watching."

Some of our Opinions are true. They are based on scores of facts—on many experiences. Before we express an opinion, we should ask ourselves—"Why do I believe that? What facts and figures are behind it?"

We should not fool ourselves by putting the Truth-mark on an Opinion that is wholly worthless. If we knew what some of our pet Opinions have cost us we would be amazed.

There is a big difference between a fresh fact and a stale fact. What was a fact thirty years ago may

be a delusion today. Many an older man prides himself on having a head full of facts. But they are all old, stale facts. The facts of fashion, as we know, change every year. A five-year-old fashion-fact is of no value at all.

One of the most difficult tasks for all of us who have had many years of experience is to throw out of our minds the facts that have become stale, and to learn the new facts of today.

As we all know, all manner of equipment decreases in value year by year. We always allow a a certain percentage for depreciation. A machine becomes obsolescent. There comes a time when it is of no value at all as a machine. It has only a scrap value.

This may or may not be true, too, of human brains. If a man stopped learning twenty years ago, then he has an obsolescent brain. But there is this big difference between a machine and a brain that keeps on learning—the machine wears out but the brain grows stronger and stronger. The equipment under your hat—you can keep it up-to-date and prevent it from becoming obsolescent.

It appears that fully 30 per cent of the business men of England seldom read anything at all except newspapers and perhaps trade papers. There are many who never see their trade papers. What they lose by this they will never know.

The idcal of many a business man is simply to be busy, fussing with all manner of little odds and ends and routine work. He is busy, no doubt about that, as busy as a one-legged man playing a pipe-organ. But most of the things he does could be done by his employees. Many of the things he does

could be done by a boy.

He works as though he were a rank-and-file man, and neglects the larger matters of management and efficiency. Then, usually, at the end of his life, he is greatly surprised to find how little he has got for his work. When it is too late he realises that he has made a mistake in being—" too busy to read."

Even the busiest man has little scraps of idle time during the course of the day. He can use these scraps for observation or reading or thinking. I once heard a man described as " a miser of minutes." That is not a bad thing to say of any man. It is vastly better than to call him a " time-killer."

The units of a man's life are moments, not months or years. The study of efficiency teaches us to measure time in small units. Fénelon, the French Thinker, once said—" God never gives but one moment at a time, and does not give a second until He withdraws the first."

Ask an average business man, whose business is doing rather badly, why he does not learn from books or outsiders and adopt new methods, and the chances are that he will reply—" My business is different."

It is an odd fact of human nature that most of us like to think we are unique. We dislike any suggestion that makes us think we are common. The fact is that only once in a while is there a really unique man, and never is there a wholly unique business.

Suppose an inventive genius sprang up, who built a factory and made an entirely new musical instrument! He would have some reason for thinking that his business was unique, but if he thought so, he would be wrong.

His business would be unique only on the manufacturing side. It would not be unique on the selling side or on the financial side. His employees and his customers would be ordinary people. That is the fact that he would probably overlook. His suppliers and his banker would not be unique. They, too, would be ordinary people. So the truth, even about his genius, would probably be that his business was about 20 per cent unique and 80 per cent common.

It is perhaps correct to say that the principles of efficiency do NOT apply to the unique element of any business. But they DO apply to all the common elements. They do apply to four-fifths or nine-tenths of any business.

Just as a doctor is called in to treat all sorts of people, so an Advertising Agency can write advertisements for all kinds of commodities, and an Efficiency Specialist can make improvements in all sorts of businesses.

If a man were to say to a doctor—"You can do nothing for me, as my body is unique," the doctor would decide that he was a mental case. Of course he would.

As a rule, the technical work in a business is done efficiently, as it is done by highly trained specialists; but the common work is seldom done efficiently. And there is ten times as much common work as technical work, even in a chemical works.

Profits are made by the technical work, and a large percentage of profits is lost because of the total neglect of the common work. The teachers of efficiency are men who have made a special study of this common work in dozens of businesses. Already

so much has been accomplished that a man is hopelessly out of date when he says—"My business is different."

Many a firm and many a nation have been tumbled down by pride. In these days this is a useful fact to remember. Pride is a "superiority complex" carried too far. It makes a man boastful, swanking, unteachable.

It makes him think only of the delusion of his own greatness. He comes to fancy that he is self-sufficient. It cuts him off from friendship, as no one likes a swaggerer. Such is the pride that "goeth before a fall."

Sometimes a whole nation has an epidemic of pride and swank. It makes itself absurd in the eyes of other nations. In these days of interdependence no nation can stand alone and disregard the opinions and interests of other nations.

The nations are propped up by one another. If a nation cuts away the props, it may totter along for a time. But sooner or later it will fall. Every wise nation has "a decent regard for the opinions of mankind." In the world drama that is now being played we are seeing the disastrous effects of pride. As to what the final results will be, no one at the moment can say.

But I am mentioning the nations that are afflicted with the pride disease only to call attention to this fact—in the business world PRIDE PREVENTS EFFICIENCY. As soon as a firm gets a swelled head and thinks it knows it all, that is good news for its competitors.

When any firm thinks it can learn nothing from other firms, from business books and from the trend

of the times, it is in danger. It is a victim of the delusion of self-sufficiency. It is sitting down on its past experience, as though no new knowledge had come into the world.

Every now and then a manufacturing firm crashes. It knew, very likely, how to make high-quality goods, but the man at the head of it was ignorant of salesmanship and finance and would not ask for advice. Whenever a man refuses to ask for help, on a matter of which he is ignorant, that is an instance of pride. He swaggers along and has a fall.

It is not only the man at the top who has pride. All manner of people, large and small, have it. It is one of the commonest defects of foremen, supervisors and managers. Many a wage-worker, who knows only a little technique, is almost unteachable because of pride.

Efficiency teaches us that there is never an end to learning. It teaches us to say—" I don't know, but I'll find out." Most of us should be far more teachable than we are. The simple and unassuming man may make a slower start, but he will be still going on when the swankers have fallen down. The Great Teacher did not say—" Blessed are the swaggerers." No, He said—" Blessed are the meek, for they shall inherit the earth."

Quite often, as you may have noticed, a man develops his business up to a certain point and then it sticks. It seems to have come to the end of its growth. Usually, the reason for this is that his tank of ideas has run out. He has done all that he knows how to do, but he has not kept on learning. He stopped growing. So, his business has stopped, too.

The size of every business depends upon the size of the man who creates it.

That is self-evident, but not more than one business man out of ten has ever given it a thought. Whenever a man's business is stuck, the one most urgent thing for him to do is to fill up his tank of ideas. He has found that his own originality and experience are not enough to give him the ideas he needs.

He must begin to study his most successful competitors. Perhaps he should go on a trip to a foreign country, to wake his brain up and teach him to observe. There are at least a dozen business books that will help him to fill up his tank. There may be a wise friend who will give him useful advice. Every man is stuck if he has let his tank of ideas run out.

Ask a manufacturer his percentage of waste and usually he will say that he does not know or he will give you a wholly imaginary figure. He may say " It is 6 per cent " when the truth is that it is 12 per cent.

He usually knows prime cost—materials and labour—but all his other costs are unknown or imaginary. Often he is sure that he knows. He gives you figures that have not been true for 10 years. In some firms, costs are an old tradition. There is no truth in the figures at all.

They remind you of a statement made by a Dr. Lightfoot—a distinguished Professor at Cambridge years ago. He said that " Man was created on October 23, 4004 B.C., at 9 o'clock in the morning." He was very positive. He was very definite. But he was about a million years wrong.

The fact is that no manufacturer knows his costs unless he has found them out recently by a most careful and diligent investigation. It is dangerous to have imaginary costs.

An American mining engineer was engaged by the Moscow Soviet to introduce up-to-date methods in the Russian gold mines. He went to work with great energy to reduce costs and increase output. But he received little help from the Communist managers.

Finally, one of the managers said to him—"You see, under our system we don't have to worry about costs. High production costs in one place are balanced by low costs in another."

Now, this idea is just what we would expect in Russia, but I have found quite a few British manufacturers who have this same point of view on costs. Often I have asked a manufacturer—"What lines are you losing money on?" And his reply usually was—"Oh, what we lose on the swings we make on the roundabouts."

Why persist in losing money on the swings? What is any cost system for, if it is not to prevent us from keeping on with unprofitable lines? And to make us hammer down all high costs?

Many a manufacturer has grown up with his business. He has developed it from a small workshop to a fair-sized factory. For twenty or thirty years he has lived in the midst of his business. As he is sure that he knows all about his business, he has stopped observing it.

He takes it for granted that he knows his business from front to back, but if any keen friend asked him a dozen searching questions about his costs and his

profits, he would not be able to answer half of them.

Such manufacturers do not usually buy business books, but if one happens to receive one from a friend, he should spend a day studying the one department that he thinks he knows best.

He will find out at least ten useful facts that he did not know before. Also, he will be set free from the delusion that he knows his business merely because he is in the midst of it.

A very competent Managing Director said—" When a man really knows his business in all its parts, he can solve most of his problems very quickly." Generally a man knows his business in spots. Parts of it he can see very clearly. But other parts are in darkness.

A manufacturer may know his factory almost from A to Z. But he has a very dim view of his office and of his sales force. He may have thirty salesmen, and he may really know only three of them.

It is a most difficult thing for the man at the head of any business to get reliable and complete information. Hearsay evidence is not accepted in law courts, but we in the business world accept it. We never at any time expect to be told " the truth, the whole truth and nothing but the truth." That is a law-court ideal, and it is seldom attained in the law courts or anywhere else.

As far as he can, a business man must see for himself what his people are like and what is actually going on in every part of his business. Then, when once he has this information, he need no longer be tied down to daily routine work. As soon as he knows his business he can manage it without being

up to his neck in it. He can give time to travel and to creative thought.

Any firm that is a national advertiser should make a study of its sales in the various big towns in Great Britain. It will be surprised to find what a great difference there is between the sales in one town and another, even when both towns have the same population. It may find, for instance, that it is selling five times as much in Bradford as in Hull, and six times as much in Plymouth as in Cardiff.

The national advertising reaches all cities alike. What makes the difference? The answer is—the local dealers. Whenever a firm advertises nationally, it should pay special attention to the local dealers who are at the foot of the list. Perhaps, too, it should do some local advertising.

A Sales Manager should know his firm's percentage of sales in the total market. He should not fool himself. Perhaps his company is making only 3 per cent of the total sales. He should make a few tests to see how many people have even heard of his products. He may find that his firm is groping along in a fog of oblivion.

A Sales Manager should not ignore his competitors. He should notice any effective method that any one of them has adopted. He should not disdain to adopt this new method. It is better to be second in a race than not be in the race at all. Not one of us is so original that he need never imitate others. Our good ideas come partly from our own minds and partly from the minds of others.

Is it not true that, almost always, a Managing Director is disappointed when he sees his Balance Sheet? Does he ever call it a "joyous surprise"?

Not often. He had thought that the net profit would be higher.

The main reason for his disappointment is that there have been many hidden losses in his company. He has never been told the full story of the breakages, spoiled goods, wastes, unwise buying, dead stock and so on. If there has been theft, neither he nor any of his executives may know of it, but it makes the Balance Sheet worse.

If a Managing Director deals harshly with his people, he will be told very little about the losses. If he is kindly, he will not be kept in the dark. Usually, a Balance Sheet should stimulate a Managing Director to find out what is actually going on in his company. He should find out the causes of his losses.

Many of the facts that we learn about our business are learned too late. Then they are of much less use to us, or perhaps no use at all. The lookout sailor on the "Titanic," for instance, saw the iceberg, but he did not see it soon enough. And the ship struck it and went down.

A man can go and look at the list of his lost customers, but at the time they were being lost, he did not know he was losing them. A department in a large firm may have started to be unprofitable a month ago, but no one may find this out for a year or longer.

In fact, it is one of the most difficult problems of a Managing Director to find a way to get his facts quickly. He should have as many DAILY reports as possible. And he should use his eyes and notice what is actually going on in his business. Losses, wastes and errors should be stopped as soon

as possible. And " First Aid " should be given to any department that has begun to slip behind.

" My four duties," said the head of a very efficient company, " are Learning, Thinking, Planning and Promoting." That is a very useful definition of the work of a competent Managing Director. He should give nearly the whole of his time to creative work. He should fairly well let the routine work alone.

His never-ending work is learning. No matter how diligent he is, he can never learn ALL that he ought to know. He must learn what is actually going on in the various departments of his business. If he is at the head of a large firm, he should have a statistical clerk, constantly sending in to him the facts and figures of the firm's operations.

If he is at the head of a small firm, he must use his eyes. He must be a keen observer. He must notice what his people are doing and give them instruction. He must learn from outside his firm, too, as well as from inside. He can learn from business books, from travel, from conversation, from men who have specialised knowledge.

Most new knowledge comes into a firm from the top. That is the point to remember. It comes up from below only when the man at the top asks for it. Any Managing Director who gives most of his time to learning, thinking, planning and promoting, is sure to be a successful Business-Builder.

Chapter Three

THE OUTSIDE OBSTACLES

THERE are at present far too many " red lights " in the business world. By " red lights " I mean restrictions, regulations, tariffs—obstructions of one kind and another. As soon as a business man decides to start something, the " red lights " are flashed on him. He is told—" You can't do this " and " you can't do that."

At every move he has to pay a new tax or buy stamps. At the first step he is given a new form to fill in. Practically all useful activity is penalised or obstructed. Apparently the ideal citizen is the lazy man who sits still and does nothing.

But the work of the world must go on, in spite of the " red lights " and the red tape of the Bureaucracy. A business man must learn to be like a skilled taxi-driver in London, who knows the short-cuts and side streets, where there are not so many " red lights."

Simply overcoming the obstacles to action is now taking up a great deal of every Managing Director's time. Business has become an obstacle race. So we must make a study of the best way to evade or overcome obstacles. We must move on in spite of the " red lights."

We have all heard the Brain-Twister about the frog in the well. The well is 10 feet deep. The frog jumps up 2 feet an hour and slides back one foot. How long does it take the frog to reach the

top? The answer is—9 hours. At the end of the last hour the frog does not slide back. But he has to jump 18 feet to make a net gain of 10 feet.

It seems to me that we business men are in the same predicament as that frog. We jump forward and then taxation makes us slide back. If a man wants to keep £3,500 for himself in Great Britain, he has to earn £5,000. So, is he not exactly like that frog in the well?

In almost all countries the most serious danger in the business world is the destruction of private enterprise by Government competition or interference.

A Government gets its money from private enterprise—practically all of it. Therefore it should not start schemes nor pass laws that interfere or compete with legitimate private enterprise.

This fact seems self-evident, but for political reasons—vote-catching reasons, almost every Government in the world is ignoring it.

It is the duty of every business man and every business organisation and association to take a strong stand against every proposal to decrease or destroy private enterprise.

Any Government that has honesty and common sense will stimulate private enterprise, encourage it, foster it in every possible way. The foundation of civilisation is PRIVATE ENTERPRISE.

Here is a strange fact—all Governments and daily papers derive most of their revenue from business men—from taxation and advertising, yet both pay little attention to the rights and interests of business men. Both are always making trouble for us. The Government is always creating uncertainty. We

never know what trade will be pounced on next.

The daily Press creates depression, by flooding us with all the bad news of the world. There is very little news in any daily paper to cheer a man on and send him forward. Can anything be done to prevent Governments and the daily Press from creating pessimism and uncertainty?

John Wanamaker, the great merchant, once suggested that all the merchants of the country should be united in a fraternity, non-political, for the safeguarding and guiding of business conditions, "to make possible the steady continuance of good times and employment for the people, by checking sensationalism."

Is this a mere dream? May it not be done? We pay the piper. Why don't we call the tune? Why do we keep on dancing to the mad jazz of the Government and the daily Press?

On one occasion, I went carefully through one of the big Sunday papers, looking for business news. Outside of the Financial Page, there was none at all. Not one article. There were four pages on Sports, but not an idea or scrap of news about the businesses of Great Britain.

This is a striking fact. All newspapers are supported by the advertisements of business men. Yet nearly all newspaper men seem to believe that business news is not a matter of general interest. Surely, if Sport is to be given four pages, Business might at least have one column.

This neglect of business news by the daily and Sunday papers shows us the necessity for reading business magazines and trade papers. The man who reads newspapers alone does not get the new

ideas and methods in business, nor even the business news.

Scores of articles are being published in magazines and the daily Press, blaming machinery and the capitalist system for unemployment. These articles are written by Socialists, Communists and Fleet Street scribblers. Some are written by clerics or professors.

They are childish and stupid articles, but that, of course, does not prevent them from being published. A general idea is being created in the minds of the unemployed, that capitalists and machinery and efficiency are to blame for the lack of jobs. Nothing could be more foolish than this. And those who spread this delusion are helping to perpetuate depression.

The real cause of unemployment is THE RESTRICTION OF PRIVATE ENTERPRISE BY LEGISLATION AND HIGH TAXATION.

Employers are being hampered, regulated and plundered until they can hardly carry on at all, and then a lot of literary silly asses blame them for not employing more people. Out of every 60/- that an employer makes, 20/- is taken away from him for rates and taxes. And then he is blamed for not developing his business.

If a capitalist sets out to start a new enterprise, he is tied up in red tape and loaded down with expenses. He can't write a cheque without losing twopence. If he decides to put up a fine new building in London, Heaven help him. The bureaucratic gnats will sting him until he will be sorry that he started.

Every active, progressive man is pounced on, as

though he were an enemy of the public. If every employer had no Income Tax and Super Tax to pay, he would at once take on 10 per cent more employees and that would mean jobs for every employable person.

There is only one remedy for the present unemployment and it is not being suggested by anyone in the House of Commons. It is this: repeal all legislation that restricts legitimate business and cut down the structure of government until the rates and taxes are not more than we can afford to pay. This is the next Big Job to be done. It is the only cure for unemployment.

The question is often asked—"What creates prosperity?" The answer is—prosperity is created by efficient business men, when they are given enough freedom to carry on their work of business-building.

Almost every Government promises to create prosperity, but the more active it is, the more the profits of business men are reduced. When Government interferes with business, it is like a bull in a china shop. Every business man in America has learned that in the last few years.

The prosperity of a country depends upon the number of efficient business men in it, and the degree of freedom they are given to carry on their work. That is the one most important fact for all the Presidents and Prime Ministers of the world to remember.

In the worst year of the American depression, a New York Sales Manager said—"One of the main reasons why sales have fallen off in the United States is because Sales Managers have so little time

to attend to this work. Every day I lose hours of my time seeing lawyers and dealing with the various Government departments.

"We are being distracted by legal complications. We don't know what is legal and what isn't. The Government has almost brought business to a standstill by its new laws and its constant interference."

The American Government is now a huge conglomeration of 133 independent departments, bureaux, authorities, agencies and commissions. A friend in America writes me that this is about 100 too many. He thinks 33 would be plenty. Very likely.

Many a big firm, too, needs pruning. It is too much of a conglomeration. Its organisation needs to be simplified. Whenever there is plenty of money to spend, new spending departments will spring up like mushrooms. At least once a year an investigation should be made to see what is useful and what ought to be cut off.

Mr. S. W. Alexander, Financial Editor of the "EVENING STANDARD," used an apt new phrase. He said—"America has a vast reserve of delayed private enterprise." That country, he said, "is suffering from restriction on private enterprise and from legislation which increases the difficulties of individuals and companies in raising money."

Whenever a vote-catching Government sets out to do everything and to over-tax and obstruct the Business Builders, naturally there is "delayed private enterprise." The Business Builders can do little else but sit still and wait until that Government either mends its ways or comes to an end.

Just now, the men who would like to promote

private enterprise in America now are being treated almost like counterfeiters. One [illegible] prospectus issued in New York in 1928 had 35 pages. This was because of the amount of information required by the Government. Before a man can launch a new company in the United States, he has to call in a staff of lawyers and write a book. That is one way whereby private enterprise is being "delayed."

This delay in America will continue until the restrictive legislation is repealed—until State Government is restored—until the great, unwieldy, political Bureaucracy is broken up—until the American people are set free to become Business Builders again.

It must be said that there is a good deal of "delayed private enterprise" in other countries as well. Even in Great Britain there is much of it. We have many a small town that needs a really first-class bookshop, or outfitter, or bakery or toyshop or restaurant.

We have at least twenty towns, and some of them are large towns, that need first-class hotels. Go into almost any town and you will find a splendid corner site—one that has not yet been snapped up by a bank. Some day there will be a prosperous up-to-date shop on this site. Whenever you see a possibility that has not yet been made into a fact, that is a case of "delayed private enterprise."

Chapter Four

OPPORTUNITIES IN A DEPRESSION

THERE are always most opportunities during a period of trouble and uncertainty. When the mass of people are brought to a standstill by fear or depression, that gives a courageous man his chance to move forward.

Just as a reporter has "a nose for news," a venturesome business man should have "a nose for needs." During every readjustment period, such as the present, there is a golden opportunity to start a new business on new lines.

Not one of the arts, sciences, trades or industries is complete. All of them come under the head of "unfinished business." Half of what we know in geology, for instance, has been discovered in the last 50 years. And there is at least twice as much yet to be discovered.

If a man becomes a "Noticer," he will soon see improvements that can be made. Every new step forward is achieved by observation and initiative. To be in a rut—that is the most dangerous thing that can happen to any man in a time of uncertainty or depression.

"In many ways the most favourable time for a man to start a business is during a business depression," said that wise observer—Robert R. Updegraff. "The banks are then bulging with money to lend," he said. "Plenty of unemployed talent is available. Rents and property prices are down. Furthermore,

the country is needing many small new businesses."

A firm or a department is liable to skid when it has a boom. Many a firm did in the general boom that followed the war. Special care must be taken to cut losses when a boom comes to an end. Most American firms skidded after the Wall Street crash. One American firm—Dennison's—prevents skidding by limiting its increase in sales to 11 per cent a year. It avoids the danger of booms and depressions.

Whenever a firm has a boom in sales there is always carelessness with regard to expenses. Then, when the boom comes to an end, the expenses go on. That is what I mean by skidding.

A firm must be quick and adaptable. It must know when to put up its sails and when to furl them. It must suit its policy and its expenses to present conditions. It must go carefully around the sharp corners. It must not skid.

Whenever there is a burst of enthusiasm in the United States, there is a rush to buy shares in Wall Street. And whenever there is a spasm of fear, there is a rush to sell them.

Now, the fact is that when a man has a fit of enthusiasm, he is a bad buyer. He will be sure to pay too much. Also, when he has a fit of fear, he is a bad seller. He will be sure to accept too little.

There you have the main reason why most people lose money when they buy and sell shares. That is why they usually buy at the top and sell at the bottom. Certainly they do in Wall Street.

This is the reason, too, why self-control is such a valuable asset in business and finance. It prevents a man from being either a foolish optimist or a

foolish pessimi[illegible]t makes him a man of reason and sound jud[illegible]nent, instead of an emotional creature.

In these days of wars and war-scares and all manner of excitements we British people have a tremendous advantage—we have enough stoicism and self-control to go along steadily when other nations are being dominated by fears or enthusiasms.

During the next year or two we shall need all the self-control and hardihood we possess, in order to carry on our affairs and to help to steady other nations.

When a man is swayed by emotions—by feelings—he is likely to make decisions that he will regret. This is a fact that every business man, large or small, should never forget. Keep a level head and you will avoid many losses. During the troubled years that are ahead of us, those will come through best who have most self-control, common sense and stamina. Make no mistake about that.

It is necessary for investors to remember that Stock Exchange prices do not usually represent the real worth of securities. Sometimes the price of a security is much more than its worth, and sometimes much less. The skilful investor is he who knows when it is much less.

The Stock Exchange prices are put up or down by public opinion and by feelings quite as much as by facts. When there is a big queue of buyers, the prices go up. When there is a queue of sellers, the prices go down.

The Stock Exchange is a sort of emotional thermometer, telling how people feel in the financial world. There have been fits of gloom and depres-

sion, when quite good securities could not be sold at any price.

Just after the great Baring failure the late Lord St. Davids picked up a big bundle of securities that nobody else would buy. And as a result, he created a very successful trust company.

The shrewd investor is the one who acquires a knowledge of properties. Then, when he sees that the value of these properties is being marked down too low on the Stock Exchange, he buys. He goes by facts, not by the feelings and opinions of the day.

I once knew a man whose favourite saying was —"If my foresight had been as good as my hind-sight, I would have been better off by a darn sight." Yes, if our foresight were only 5 per cent as good as our hind-sight, we would be much better off.

I have never known a time when it was as difficult to foresee the near future as it is today. No one can tell what the big headlines will be in tomorrow's paper. We have begun to pick up our papers apprehensively. There are violent, irresponsible men at the head of quite a few nations. No one can tell what they will do next.

However, if we cannot have foresight, we can have steadiness. And we can have confidence in the common sense and stability of the mass of the British people. If we cannot make long plans, we can make short plans and keep on moving forward.

In a good year, the right policy is to concentrate upon the making of net profits and to make the business safer by piling up reserves.

It is better for a man to borrow in a time of depression rather than in a time of prosperity. Why? Because in a time of depression the money

will buy more...

A bad year is the one best year to buy securities, to put up new buildings and to install new equipment. It is always best to buy when you get the most for your money, but it requires nerve and foresight to do this.

In a time when business is good, a wise man will push his sales. The Key-man in every big company is then the Sales Manager. This is the time to sell at a profit, to get rid of overdrafts and to set aside 25 or 30 per cent of the profit for the future good of the business.

It is a time for any firm to put on a bit of fat, so that when the lean years come, as they may, the firm will be well protected. It is a time for every business to go ahead at full speed. If we do not go when the going is good, we are liable to be stuck when the going is bad.

It is a time for advertising and sales promotion and better window displays and running factories on two shifts or three shifts. It is a time to get out of debt, make no mistake about that.

Usually, when a firm has a bad year, it defers the buying of new equipment. And this is not a wise habit. Andrew Carnegie's rule was just the opposite. His policy was—" In a bad year, concentrate on improvements; in a good year, concentrate on production." The best time to erect new buildings or to install new equipment is when there has been a falling off in business.

Sir J. Fortescue Flannery, Chairman of W. and T. Avery, Ltd., referred to this at an Annual Meeting of this company. He said:—

" In considering the affairs of your company, you

should always bear in mind that they are not producers of consumable goods, but makers of plant and equipment; and that while people must have the full supply of consumable goods in times of poor trade, yet, as regards improvements in their means of trade, some often try to make the old plant do, whereas the bad times should be met by improved plant."

Here is the gist of a remarkable story that was told in the "AMERICAN MAGAZINE" by Henry Denton. It shows what might be done in any of our hard-hit cotton towns, or in any town in a depressed area.

There is a large town called Manchester in the State of New Hampshire, U.S.A. Population—80,000. For nearly 200 years it had been a town of one industry—cotton spinning and weaving. It was a town of one company—the Amoskeag Mfg. Company.

This company owned 75 big mills and employed 21,000 people. There were practically no other manufacturing firms in the town. Then, during Christmas week, the big Amoskeag Company went into bankruptcy. All of its 75 mills were closed. A town as big as Oxford, with no jobs! In one day the whole structure of the town's business had collapsed.

One man took action at once. He was Mr. Arthur E. Moreau—a prosperous ironmonger who had served three times as Mayor of the town. He was a French Canadian. Probably half of the people in Manchester are French Canadians from Quebec.

Moreau called together a dozen of the leading men in the town and said—"We must buy the

mills." They went to the Receiver and offered £1,000,000 for the mills. The offer was accepted.

Moreau and his friends raised the money in two weeks. They did not ask for a penny from the Government. Moreau himself invested £20,000. They took over the mills and 760 houses. These houses at once gave them an income of £20,000 a year—2 per cent on their money.

In a year they leased 25 of the mills to manufacturers. Also, they started up several of the mills, making cotton cloth. They organised a company to handle all the properties, and put in a competent General Manager—Colonel Parker Straw.

The town of Manchester is now fairly prosperous. New manufacturers are coming in every month. Eventually, all of the 75 mills will be busy again. "Never again," says Moreau, "shall we depend upon a single industry to support our people."

At a guess, I would say that Manchester is now the happiest town in America. It was saved. It saved itself. The citizens have a new self-respect and a new enthusiasm. They acted. They bet on themselves. They put up their money and played the game. They had a Leader—Arthur Moreau—and they followed him.

I venture to say that there is not a single business man, large or small, who has not some small opportunities nearby which he does not see.

A small grocer, for instance, may walk from his house to his shop. He may say to himself—"I have no opportunities to make my shop grow." And he may walk past twenty or thirty houses where families live who have never bought goods at his shop. He simply does not see these houses.

A small draper may have a [illegible] at the end of a long street, facing the street. What a chance for a neon sign that would be seen by everybody on both sides of the street! But he does not notice his chance.

A manufacturer may be making a score of articles. On one of these articles he made £2,000 profit last year. If this article were specially advertised and pushed, he could make £10,000 a year on it. But he does not notice this chance. There are all manner of such instances. But unless a man looks at his business keenly, like an outsider, he will not see these opportunities.

Selling conditions are seldom perfect. They are practically never 100 per cent perfect. There is always a " fly in the ointment." Selling conditions are like the weather. The weather is never right for everybody. The sunshine does not suit the people who make umbrellas and raincoats.

When a salesman says—" No use in trying to sell on Saturday mornings," he is wrong. Buyers are not in a good buying humour on Saturday mornings, but to balance this, there are fewer salesmen going around. In a period of prosperity, there is a host of salesmen. During a depression, there are only half as many. There is always a drawback and there is always an advantage.

Many salesmen are always looking for any excuse when their sales are down, and they can always find one. If it isn't one thing, it is another. There is always " a fly in the ointment."

A keen salesman disregards selling conditions. He pushes ahead through good and ill. His main effort is always to make the best possible use of

his time.

When a woman starts worrying about air raids, she puts off the buying of a new hat or a new suite of furniture or a new electric range and so on. Fears put her out of the humour to buy. There is no doubt about that. She sits at home and worries.

Fears help no one except the doctors and the owners of nursing homes and mental homes. They have a disastrous effect upon business. The war rumours, shouted in big headlines, and the sudden breaks on the Stock Exchanges, and all other frightening news, decrease the volume of sales.

Consequently, every retailer should do what he can to put a spirit of cheerfulness and confidence into his people. He must do what he can to cure his worrying customers—to put them into a happier state of mind. Certainly, he should not help to pass on the fears and rumours. He should gather and pass on the good news.

An interesting experiment was tried by the Leicester Square Cinema, London. It was showing the film—" BELOVED ENEMY." It first ran the film two weeks with a tragic ending—the hero was killed. Then it ran the film with a happy ending—the hero recovered and married the girl whom he loved. The tragic ending proved to be unsuccessful. But when the happy ending was shown, the attendance was more than doubled. And it had a long run.

There is a useful suggestion here for business men—the two things all people crave are Success and Happiness. They like to go to a store where the people in it look successful and happy. As we say—" Nothing succeeds like success."

If there is a dingy, half-lit shop where a long-faced proprietor is worrying over his debts, do people say—"We must lend a hand to this man and buy some goods in his shop"? No. They do not. They go past his door and buy in a shop that radiates an air of prosperity.

There is plenty of truth in those lines—"Laugh and the world laughs with you, weep and you weep alone." There are happy shops and unhappy shops. Everyone knows that. And the happy ones attract the most customers.

It goes without saying that every retailer and manufacturer should make a special effort to get as many nearby customers as possible. But this is seldom done. To get nearby customers is easier than to get customers from a distance. It costs less to get them. And it costs less for deliveries.

Almost every week someone asks me to plan a Mail Order scheme for him. Usually I tell him:

"You must first make a local foundation for your business. Concentrate on finding possible customers in your home town. Then go after your County. Last of all, aim at the national market."

Literally, thousands of men have lost their capital by going after the national market before they had established themselves locally. We appear to be more or less blind to the possibilities of trade nearby. We seem to be farsighted. We take more pleasure in looking at what is far off than we do in looking along our own street.

Every now and then a travelling salesman asks for a larger territory. He says—"I have reached the saturation point in my territory." And invariably he is wrong. There may be two possible

customers right next to his hotel and he has never noticed them. There are likely to be whole streets that he has overlooked.

In 1912, the telephone salesmen in New York reported that very few new telephone subscribers could be found. They believed that their work had fairly well come to an end. They were called in and retrained. They were given a new start. The final result is that there are now twice as many telephones as there were in 1912. So much for this delusion of "saturation."

The greatest of American publishers—the late Cyrus H. K. Curtis—published his magazines in the city of Philadelphia. One day a keen, forceful advertising canvasser said to him—"You can get much more advertising right here in Philadelphia."

"You are mistaken," replied Curtis. "I have Philadelphia completely covered." "All right, I'll prove it to you," said the advertising man. And in the first year he brought in £12,000 worth of new advertising.

Any firm, large or small, should at least make an experiment to see if it is neglecting the nearby people. This experiment will very likely result in a handsome increase in the volume of sales.

Quite often, a man stands at the cross-roads. He has to make a decision. And perhaps his future depends upon what he decides to do. He may have to decide whether or not he will carry on or sell his business, or whether he will stay in his town or move elsewhere.

Whenever a man stands at the cross-roads, one of the two roads usually looks smoother and easier to travel on than the other. In most cases, he

chooses the easiest road, and in my opinion, that is where he makes a mistake. He will do himself more good, and he will travel much farther, if he chooses the hard road.

No one can write a reliable book on Trade Cycles. I do not think we can judge the future by the past. History is not repeating itself. Many new influences have arisen. We are beginning a New Era. International trade has been slowed down by tariffs, quotas and currencies. Dictatorships have made the trend of business unpredictable. No one can foresee what may happen. All that anyone can do is to make the best possible use of today.

During the last thousand years, many pessimists have predicted ruin and disaster for this stout old country, and they have always been wrong.

William Pitt said—"There is scarcely anything around us but ruin and despair."

Lord Grey, in 1819, said—"I believe that everything is tending towards a convulsion."

Lord Shaftesbury, in 1848, said—"Nothing can save the British Empire from shipwreck."

Disraeli, in 1849, said—"In industry, commerce and agriculture, there is no hope."

The Duke of Wellington, in 1851, said—"I thank God I shall be spared from seeing the consummation of ruin that is gathering about us." And so on.

There have been many such prophecies of disaster. They have been often made by patriotic but discouraged men. And they have invariably been wrong.

Some people reflect the light. They make a room brighter when they come into it. They are like diamonds. They are the Optimists. Other people

reflect no light at all. They darken a room. They are like chunks of coal. They are the PESSIMISTS. Everywhere in business life you will find both—the Optimists and the Pessimists. The difference between the two is the difference between Success and Bankruptcy.

In a novel—" THE PASSAGE," which, by the way, comes from Australia, one of the young men in the novel is described as follows:

" A sense of prosperity seemed to glow through Hughie like the light coming from the core of rough opal. Everyone believed in his future. Although not yet twenty, he was a man of affairs." He was an Optimist. He reflected all the light. Naturally, people liked him and believed in him.

If a shop were full of Optimists it would attract customers as a flower-bed attracts the bees—as a light attracts the moths. It would not need to sell a guinea's worth for fifteen shillings to attract trade. It would sell a guinea's worth for a guinea, as it ought to do. If a factory were filled with Optimists there would be no slacking—no labour troubles. And the costs would be where they ought to be.

There is darkness enough in the business world, but there is plenty of light, too. We can always catch a gleam from somewhere and reflect it. Best of all, there is an inner light. Many people possess it. It is an Inner Light of confidence and faith and hope and resolution. It is priceless.

Those who have it can not only reflect light. They can create it. Old George Fox was right. The hope of the world is this inner light. As for Pessimists, they have neither an inner light nor an outer light. They are the " children of darkness."

Chapter Five

THINK—THEN PLAN

JUST before you set out on a trip, even a two-weeks' holiday trip, you are compelled to do a bit of planning. You have to answer the question —" What shall I take with me? " You have to pack your travelling bags. There are some men so careless that they cannot even plan as simple a matter as this. At the end of the journey, they find they have forgotten their shaving soap or some other little necessity.

Such men never rise by their own efforts to a high position in the business world, as every man in a high position is compelled to be a planner. The higher up a man is, the more he is obliged to look forward and make plans. The ablest Managing Directors of today are now thinking about next year.

One reason why so many new businesses fail is because there was not enough planning when they were started. This is the reason, too, why so many businesses are stuck fast in a rut. They are thinking only of their routine work. They are not planning improvements. No doubt it would be a good habit for any one of us, who is in a position of authority, to have a " Planning Day " once a month.

When a man's business is not doing well, he should make a plan—a three-years' plan or a five-years' plan. He should offer himself a reward for success. In a word, he should get his business going right and then take a long holiday—have a cruise around

the world or ...ee months' visit to Finland or Switzerland.

A Chicago M...nufacturer—Mr. Arnold Schueren —has organised his business so efficiently that it is self-running. He spends at least three months a year hunting and fishing, and his business runs as well when he is away on a hunting and fishing trip as when he is in his office. " In fact," he says, " usually when I go away it takes a little spurt forward."

In 1927 he took over his present firm—the Vaughan Company. It was then going in the wrong direction. He had previously been a competent Sales Manager, and he at once began to run the firm selling-end first.

He slogged for three years, taking no holidays at all. At the end of the three years he had built up a self-running organisation. It was out of debt and had orders for £160,000 worth of goods on its books.

" When a Managing Director spends too much time in his office," says Schueren, " it is inevitable that he assumes many duties which could be handled quite as well by others.

" As long as I was there in my office, my managers would defer to me whenever any question arose, until I found myself harried by details, enmeshed by a thousand insignificant worries and responsibilities."

He trained and developed his managers, taught them to stand on their own legs. While he is absent, they do not send him any correspondence or reports, unless a matter is both urgent and important.

He worked out and adopted the following ten

Principles of Management:—

1. Rapid turnover of all inventory as well as invested capital.
2. Overhead costs controlled and kept at absolute minimum.
3. Full responsibility for plans and action to department heads.
4. Responsibility for routine work to all employees.
5. Prompt decisions on all matters submitted to management executives.
6. Bonus incentives paid quarterly to executives and employees.
7. Training programme for young employees to fit them for future executive positions.
8. All bills payable must be settled the day they are received.
9. Sales and advertising plans completed a full year in advance.
10. Salesmen compensated by commissions plus bonuses.

As you can see, there is much that many an overworked Managing Director can learn from Mr. Schueren. He has a definite business policy and a philosophy of life, as well. He is "making money happily."

At the naval battle of Trafalgar, Nelson saw the French fleet approaching abreast in a long line. At once he made a plan. He said to his officers—"Our plan is a simple one. We will cut their line in two, destroy one-half of it first and the other half next." And that is exactly what he did.

When a man springs up in a trade or industry

with a new effective plan, he soon moves ahead of his competitors who are merely drifting along.

There were a lot of other soap-makers in England when Leverhulme began to make soap. But Leverhulme was the first to see the value of Salesmanship and Advertising.

There were a number of other merchants in Chicago when Marshall Field started his store. But Field's store was the first in America to be called a "College of Courtesy."

There were a lot of steel-makers in the world when Andrew Carnegie began to make steel. But he was the first to appreciate up-to-date equipment and to go out after big orders. And so he became the world's Steel King. A new and better plan—that has been the main cause of many a great fortune.

Sometimes the sales of a firm will suddenly drop 15 to 20 per cent. Such a drop may cut the net profit in two or wipe it out altogether. Such a drop should not be taken lying down. It should not be taken with passivity and resignation. It calls for immediate action.

What ought to be done?

Always, when any problem has to be solved, the first thing to do is to find out the FACTS. This is what we call the "Scientific Method"—find the facts, study them, make a plan and carry it out. The main cause of the drop may be the inefficiency of the firm itself, or it may be outside conditions, over which the firm has no control.

During 1936, for instance, American business suddenly went into a tail-spin, and both efficient and inefficient firms had a serious drop in their sales. In this country, too, the scare-mongering in the daily

Press caused a decrease in sales to efficient and inefficient firms alike.

But, no matter what the cause was, there is always something that an efficient firm can do, to increase its volume of sales. If there is a weak spot in the firm, it must be strengthened. If there is an unprofitable department, it must be reorganised or given up.

A manufacturer can study his products, and cut out those on which he is losing money. He can concentrate on his best profit-makers and stimulate his salesmen.

By making fewer products, he can greatly reduce his manufacturing costs too. And he can have an "Anti-Waste Campaign" in his factory.

He may find, very likely, that he is making no net profit at all upon twenty of his products. And during a recession in business, he can't afford to carry deadheads.

A retailer, when sales fall off, can pay more attention to the effectiveness of his window displays. He can have fewer "prestige" windows and more "selling" windows.

He must bring into his store a larger percentage of passers-by. He must use less Art and more Show Cards, in my opinion. Also, his shop assistants should be given a special course of training, so that they will lose fewer sales.

In a word, when a firm's sales fall off, it must do something DIFFERENT and EXTRA. It must not jog along in a rut—"business as usual." When business conditions become unusual, we must do unusual things. That is the vital point to remember.

If a firm sits still when the time has come for a

special effort, ... may continue to fall, and it may have a still worse Balance Sheet at the end of the year.

I venture to offer this new rule to Managing Directors—When business is good, give most time to the study of the routine work, to personnel and to perfecting the organisation; and when business is bad, give most time to creative work, to customer-finding, staff-training and the reduction of expenses.

When business is good, a Managing Director should let well enough alone. His firm should go ahead at full speed. It should "make hay while the sun shines." It should give the whole of its attention to giving quick, efficient, courteous service to its customers. It should not move to a new building, nor do anything else that will interfere with the routine work. It should "go while the going is good."

But when business is bad, to do the routine work is NOT enough. There are then difficulties to be tackled—problems to be solved. The time has come then for THINKING. Just as a sailing ship must be quickly prepared for an approaching storm, so a firm must be prepared for a period of bad business. It may then move into a new building or make any drastic change in its policy or its methods. And most of its attention must be given to sales promotion, the training of its people and the improvement of its equipment.

When a firm is going in the wrong direction, it must at all costs keep the good-will and confidence of its banker. It must reduce its overdraft, not ask for an increase.

When a firm's overdraft has been steadily increas-

ing, a feeling of suspicion wil[illegible]ing up in the banker's mind. The only way to dispel this suspicion is to make a payment on the overdraft. A strong effort must be made to collect overdue accounts and to turn assets into cash. The point of view of the banker must be borne in mind. Many a firm would have been saved from bankruptcy if it had adopted this policy.

If the man at the head of a business sits down to think about his job, he will find that his work falls into two classes:—

1. The routine work that must be done.
2. The creative work that can be neglected.

A Managing Director can work hard for a whole year and not do any creative work at all. He can spend all his time on routine work.

Most men spend far more time on routine work than they should do. Most of them neglect the far more important matters of improving and extending the business.

Here, for instance, are five of the important creative jobs that are usually neglected:—

1. Buying Up-to-date Equipment.

Buying needed equipment is a matter that can always be postponed. It is not at all like answering letters and signing cheques.

Andrew Carnegie made it a point to ask his Managers every year—" What new or better equipment do you need? " But very few men are as wise and practical as he was.

Generally, the man at the top does not even know how much obsolete equipment he has. He does not

know that 5 of his typewriters and 17 of his other machines are worn out.

There comes a point in the life of every machine when it becomes unprofitable. To wait for a complete breakdown is not a wise policy.

2. Customer-Finding.

Many firms, large and small, quite neglect the vital matter of finding new customers by advertising, sending sales letters or direct selling.

The average small shopkeeper simply does nothing at all to reach possible new customers. The least that he should do is to paint his shop-front a bright colour and put a moving display in his window.

3. Finding a Right Manager.

Many a firm had a bad Balance Sheet for last year for lack of an Efficient Manager in a certain position.

Perhaps it needed a competent Works Manager more than it needed any other one thing. Or an efficient Sales Manager.

Sometimes it would pay a Managing Director to spend a whole month searching for the one right man.

4. Putting in a Costing System.

Quite a few manufacturing firms have lost thousands of pounds a year for lack of a complete Costing System.

They are selling certain lines below cost. They are allowing their salesmen to accept profitless orders.

As foremen have never been known to ask for a Costing System, these firms drift along. And a big vital job is neglected.

5. Staff Training.

This matter of giving complete instruction to Managers and employees is generally neglected, for the reason that it is supposed to be costly.

Many a manufacturer has first-class machines and third-class workers. Many a retail shop has high-grade goods and low-grade sales people.

The cost of errors, bad work and bad service is vastly more than the cost of complete staff training, but as yet only the most competent firms are aware of this.

All real thinking is creative. That is a most important fact, not generally known. Many a man has the belief that he is thinking when he is only wishing or remembering. The mass of people never really think at all in a creative way. As Walter Duranty once said: "The trouble with most people is that they think with their hopes or fears or wishes rather than with their minds."

Unless a man has a highly developed brain, he must Make himself think. He will be controlled by his feelings or his memory unless he sets the thinking part of his brain into action.

John Dewey says that "the brain is the organ of last resort." Most of us think only when we Must. It is quite possible for a man to go through the whole of a busy day, and to make many decisions, without doing any real thinking at all.

A Board of Directors may meet and talk for an hour about the Monthly Report, and not one real

thought will be expressed that will help the firm to be more successful. A man thinks when he solves one of his problems—when he finds out what can be done—when he works out a better way—when he does something CREATIVE.

A THOUGHT can start a man on his way to fame and fortune, or it can put an end to his life. One man has a strong, confident thought and it stimulates him to begin a great, useful career. A second man has a jealous thought of bitter despondency, and he commits suicide. In these days we need more helpful thoughts than those we get from the news in the daily Press.

Today, every thinking man has a chance to keep in touch with the WHOLE world, and not only with the people in his town or his village.

Most of us keep in touch with the news, scandal, crime and politics of the world by reading the daily papers. The news, as we call it, is what interests the mass of people. It must be more or less sensational. Most of it is BAD news, as trouble and crime are always more sensational than the good news of honesty and prosperity. Those who read newspapers only, form a very low opinion of the world. They are put in touch mainly with the WORST side of it.

They should keep in touch with the better and nobler side of the world. How can they do this? By going to LECTURES and by buying instructive BOOKS and MAGAZINES.

In these days, almost every great man writes a book. Or he gives lectures. Few of us can meet the great people of the world personally. But we can buy their books at a low price. To keep in

touch with the Creative Thinkers—with the men whose ideas are changing the world—that is an opportunity that should not be neglected.

In a large firm, the Office deals with the PAST and the Laboratory and Research Department deal with the FUTURE. The writers and speakers who attack Research will have some difficulty in sneering away that fact.

Ask any sensible business man: "Which would you sooner know—the Past or the Future?" He will reply: "The Future, of course." It is easy to get data concerning the Past, but it is not at all easy to get information concerning the Future.

We can never foresee the Future completely. That is why we keep on studying the Past and neglecting the Future. But we forget that a little bit of knowledge about the Future is worth more than a great deal of knowledge about the Past, just as an ounce of gold is worth more than a ton of coal.

To ask a large number of possible customers what make of article they prefer, or what make they are planning to buy—would that not be a help to any dealer who sold such articles? Certainly it would.

To carry on a long process of investigation until a new, marketable product is the result—is that not profitable to a manufacturer? Certainly it is.

No other man is more hopelessly out of touch with the spirit of today than the man who scoffs at research. He is misplaced in this twentieth century. He should have lived in the Dark Ages.

Every motor-car has its head-lights and its tail-light. So have you, in a very real sense. And it is worth a bit of your time to think about your lights. A man's head-light is the thinking part of

his brain. And his tail-light is his memory.

Whenever a man really thinks, he deals with the Future. When he remembers, he deals with the Past. The man of thought always looks back. The leaders of progress are always the head-light men.

There are plenty of men—millions of them—who seem to have tail-lights only. They are like the fire-fly. You may remember that witty verse:—

> "The fire-fly—he is brilliant,
> But he hasn't any mind;
> He rambles through the forest
> With his head-light on behind."

Whenever a man is dealing only with routine work, or with the simple business problems, he may need only his memory. But whenever he has to make an important decision, or solve a new problem, he needs more than his memory. He needs the thinking part of his brain. It is a man's head-light that makes him succeed in business life, not his tail-light.

Ninety years ago gold was first discovered in California. Almost at once thousands of venturesome men started on the "Long Trail" to California to seek this gold. It was a 1,500-mile trail, across prairie, desert and mountains. There was no road, not even a path. There were wild animals in the way, and still wilder Red Indians. Barely half of the men who started were able to reach the end of the Trail.

Today, near San Francisco, there is a small monument, on which are these words:—

"End of the Long Trail. The cowards never started and the weak ones fell by the way." Only

those who had COURAGE dared to start on this Trail, and only those who had STAMINA were able to reach the end of it.

Now, it seems that the road to SUCCESS in the business world might be called the "Long Trail." Only the courageous start out on it. The mass of men remain in simple, easy jobs all their lives. They never even START towards SUCCESS. They have no ambition. They never develop themselves. They do not make themselves fit for promotion.

Of those who start, more than half of them lack STAMINA and KNOWLEDGE. They do not learn what they need to know, and they are weakened by dangers, obstacles and troubles. Somewhere along the "Long Trail" they drop out. They never reach the gold at the end of the Trail. The brave, strong, teachable men—they are the ones who go the whole distance. They become the BUSINESS-BUILDERS—the most useful men in the world.

Chapter Six

ORGANISE

MANY a business man, who has from 100 to 500 employees, needs to be told—" Don't overlay your business. Organise it." It is a tragic fact that a man can be so industrious and so devoted to his business that he stands in the way of its development. He keeps on being a worker when he should be a manager. He toils almost furiously with a mob of helpers, makes himself indispensable, and creates a jerry-built business that collapses at his death.

A friend once asked me to step into the offices of a small wholesale firm in London. " You'll see something worth seeing," he said. When we were inside, the Managing Director barely gave us a glance. He was dashing about, red-faced and in a frantic hurry. He was shouting out orders and pouring out a flood of blame on his bewildered employees. With really terrific energy, he was throwing the whole place into confusion.

This reminded me of one of Thomas Dreier's stories:—

A drunk who was keeping on his feet by the aid of a lamp-post, hailed a taxi. He stumbled into the back seat and said—" Shay, driver, drive me around the park a hundred times."

The taxi driver, compelled to obey his orders, drove round and round the park. At the 65th round, the drunk woke up from his stupor and shouted—" Step on it, boy. I'm in a hurry."

An Efficiency Specialist asked a girl in the office of a big firm—"To whom are you responsible?" The girl replied—"Mr. Brown is the head of my department. Miss Jones is my Supervisor. I suppose Mr. Smith is my real boss. He is the Manager. And there is Miss Peters, the department head's assistant. I seem to have four bosses." The Good Book says—"No man can serve two masters." And this muddled girl was serving four.

Mr. J. David Houser says that he has found employees in department stores who were receiving orders from as many as Ten different people. According to the rules of organisation, of course, every person in a firm should be responsible to one person only.

Every man who is at the head of a large business must every now and then think of this word "simplify." If he fails to do this, then bureaucracy will set in. Eventually he will find that his organisation is being run like a Government Department.

There will be work for work's sake all over the place. His office will be over-staffed. Expenses will pile up. And there will be an all-round slowing down of his firm's activities. So, at least once a year he should set out to simplify the various processes that are going on. His executives are not likely to do this.

Sometimes the question is asked—"Where does the dividing line come in, between being under-staffed and over-staffed?" There is no rule to guide us in this matter, as far as I know. Every firm is at times under-staffed and over-staffed.

Almost all retailers are under-staffed during the Christmas Season, and over-staffed in January. A

grocer is over-staffed on Tuesday and under-staffed on Saturday, and so on.

Overtime work proves under-staffing, and a decrease in the percentage of net profits proves over-staffing. Most firms are a bit too slow, both in taking on and in laying off employees.

More and more power is now being given to the branch managers of quite a few big companies, especially to those who are abroad. The idea that most decisions can best be made by the man on the spot is slowly being adopted.

One reason why Clive was able to bring India into the Empire was that he was so far away from London. He had to make his own decisions. It was for this same reason that the Hudson's Bay Company grew so strong in Canada. Every one of its Factors was a strong man, on his own. Drake, too, was able to plunge into one exploit after the other because he was free to decide.

These two things there must be in every big organisation—initiative and team play. The one is as important as the other, but quite often team play is carried so far that it destroys initiative. Usually, the executive on the spot knows the local conditions best, and is best able to make wise decisions.

Several big American companies found this out when they started branches in China. They treated their branch managers like marionettes, with the strings pulled in America. They were soon obliged to abandon this policy.

Isn't it true that people are like chemicals? Take two people, put them to work together, and they may either harmonise or have an explosion. Isn't it true that most partnerships are sooner or later

dissolved? Why? Because the two partners didn't blend.

Every Managing Director, in selecting his executives should have this idea of human chemicals in his mind. He should select people who will harmonise and work together pleasantly. What he wants is co-operation and team play. If he never gives a thought to this, he will find himself contending with the troubles of departmentalism.

It is a great help to any big firm if the executives meet one another socially, if they go to one another's homes, if their wives know and like one another.

I have known some Managing Directors who actually stirred up strife among the members of their own staff. They thought that by doing this they would prevent one manager from shielding another. They tried to make tell-tales of their managers.

This is a usual habit, I believe, on the part of Dictators. They are afraid of conspiracies. They do not like to see their chief subordinates too friendly. It is a stupid and brutal habit. The executives who work in the same firm should be personal friends. They should harmonise, not quarrel.

There is a firm in the Midlands that owns two large factories, side by side. The two Superintendents of these factories were personal enemies. They did not speak to one another for three years. Then they were brought together by a mutual friend. This sort of stupidity is not rare. It is very common. And one of the duties of a Managing Director is to put a stop to it.

As I have done efficiency work in nearly three hundred firms, I have had a chance to notice the animosities between executives. In nearly every

factory I have found two foremen who were known to have a strong dislike for each other. They were two chemicals that wouldn't mix. On five or six occasions I have had to start efficiency work in a factory by having a Dinner given to the foremen to promote a feeling of friendliness and co-operation.

There is no doubt that internal friction has broken down many a firm. Quarrels in a firm should be as rare as snakes in Ireland. From the three points of view of good manners, efficiency and common sense, there is no excuse for executives of the same firm who will not work together harmoniously.

A London business man asked me—"Can you send me a book devoted to the science of running a business by remote control? I am in London and I wish to take part in the management of a factory in Scotland." I had to tell him that there is no such book. Certainly there ought to be one. This subject—"remote control"—is one of the highest importance.

Here is a Big Fact to begin with—the two richest Americans in their generation were Rockefeller and Carnegie. And both men made it a habit to manage their affairs from a distance. Neither man took any part in the routine work of his business. Usually Rockefeller was at home and Carnegie was travelling.

What, then, were their methods? Rockefeller took in his ablest competitors and laid upon them the burden of management. Also, he was quick to promote his ablest managers. Carnegie took in forty-three of his managers as partners, so that they would have a share in the profits. And he constantly sent to them praise, criticism and suggestions.

Both Rockefeller and Carnegie cut free from the daily work and give their time to planning, foreign trade, extensions, improvements, etc. They made "remote control" more effective than on-the-spot control. They thought of the Future, and left the duties of the Present to their subordinates.

The head of one of our largest industrial companies follows the same policy. He spends nearly all his time travelling, overcoming the obstacles to foreign trade. He is rarely in his London office.

There were two great New York editors, too, who followed the policy of "remote control." Pulitzer managed his newspaper from a yacht, because of his blindness; and Bennett managed his newspaper from Paris. Both newspapers, by the way, prospered under this "remote control," and both did badly when they went back to on-the-spot management.

It is certain that most men live too close to their businesses. We all know many a man who hates to leave his office at the end of the day. He would like to take it home with him and sleep with it under his bed.

Any man who has not learned how to organise tries to do as much as possible of the day's work himself. He makes himself like the big pole of a tent. When he dies, the tent collapses. This is a mistake from his own point of view and from the point of view of the business.

No man can see his business as a whole when he is always in the midst of it. And when he fiddles with details he neglects the big job of looking ahead and planning. As you can see, there is a good deal to be said in favour of the policy of "remote control."

Here is a big idea that can be made use of by

either large firms or small ones—the British Empire offers us a model for the management of other Empires, nations or business organisations.

The British Empire is the greatest and strongest combination of people in the world. It comprises one-quarter of the human race. It has about six times the population of Germany and three times the population of the United States.

All told, there are 65 different countries in the British Empire. And the management of these countries is not centralised. These countries are not held together by soldiers, secret police, spies, a censored Press and concentration camps.

A number of these British countries absolutely manage their own affairs, and the others are being pushed towards self-government as quickly as possible. India, Egypt and Eire are now developing systems of self-government with the approval and help of Great Britain.

The British policy is not centralisation, standardisation and coercion. It does not try to hammer its 460,000,000 people into the same shape. Ever since it lost the American Colonies the British Empire has been wiser. It has adopted a policy of making all its countries as free and independent and happy as possible. It has given a new definition to the word "Empire." This new definition is—a "Commonwealth of Co-operating Nations."

Judged by facts, figures or in any other way, the British Empire is the greatest SUCCESS in the world. Consequently, we should learn from it, as far as we can, when we try to solve our small problems of management.

This fact stands out plainly—that in any organ-

isation it is best to DECENTRALISE—to make every unit as independent as possible. It is better to develop initiative and self-reliance than obedience and servility—that is the great British principle that most other less mature nations do not yet appreciate.

Simply from the point of view of profit, it is better to decentralise. Years ago, when the huge Standard Oil Company was broken up into 35 pieces by the American Government, it found to its surprise that its profits became much larger than before. The British Empire idea was thrust on this company, against its will. And today it approves of this idea.

There are quite a few big amalgamations today that should "unmerge for profit." They have become slow, unwieldy and bureaucratic.

As you can see, this British Empire idea can be adopted by small firms as well as large ones. A manufacturer who has three foremen can give them more scope and responsibility. A small grocer who has one boy can become a Teacher, not a Dictator, to the boy.

It is a pleasant thought, and it can be a useful thought, as well, that our unequalled British Empire stands as an object-lesson to the whole world, to show that liberty and decentralisation are best, in the development of either individuals or nations. Make your business BRITISH.

Chapter Seven

TAKE CHANCES

"THERE is no such thing as chance," said Schiller. Adam Clarke said the same thing. So did Voltaire. But, in my opinion, these three wise men were wrong if they were alluding to human affairs. What they meant to say was that there is nothing without a cause.

In the business world, when we use the word "Chance," we mean something not planned nor foreseen, which we may turn to a good use. A man may make an opportunity, but a chance comes to him without any effort on his part.

You may meet at a railway station a possible client or customer whom you have been unable to see in his office. That is a chance. Such chances come to everyone, but only keen, quick people make use of them. Most people look at their chances with dull eyes and take no action. Afterwards they think with regret of what might have been.

It cannot be denied that some men seem to be lucky. They seem to have the knack of succeeding in whatever they do. But if you study these men you will find that their success is not at all due to luck. The fact is that when a man is doing his best, he will be assisted by circumstances. And when an opportunity comes near him, he will grasp it.

A man who has built up a business with sales of £600,000 a year once said to me—"If you know you are right and fight hard enough for a thing,

somehow something will always help you to win." So, there you have a good definition of luck. As we say—"Fortune favours the brave."

As far as I have noticed, good luck ruins as many people as bad luck does. It makes them depend on luck instead of on their own efforts.

About twenty years ago there were five young men—close personal friends—who formed a little syndicate for betting purposes. Every week they pooled their money and made a bet on a horse. One young man saw the folly of this and dropped out of the group. The next week the four others won £2,000. They laughed at the young man who dropped out. However, the one who dropped out is now a Managing Director, and the four others are still in the rank and file.

Every man in business life is constantly taking chances. There is no way of avoiding these chances. Actually he must do a lot of betting. When a man buys goods for resale, he bets his money on the goods. He may bet £10 and make £2 net profit, or he may lose £2.

There is not much risk on staple goods. When a grocer buys sugar or salt, he knows he can sell the whole of it. But he is not so sure when he buys a new make of prepared food.

When a publisher accepts a book from an author, he stakes at least £80 on it, usually. He must sell 400 copies to get his money back. And many times he does not sell 400 copies. Every now and then a publisher picks a winner. He sells 10,000 copies, 100,000 copies of a book. These winners give him his net profits.

It is impossible to foresee, with certainty, what

the public wants. But the more skilled a man is in the matter of foresight, the fewer losses he will have. In a word, we can never get rid of all the risks of business, but we CAN get rid of some of them.

Here, for instance, are at least three ways whereby we can have more certainty and less risk:—

1. OBSERVATION.—If a man makes it a point to notice the buying-habits of people, he will acquire a fund of useful knowledge.

Good judgment is not an inborn instinct. It is acquired by observation, travel, reading, etc. No dull-eyed, unteachable man ever has good judgment.

Observation enables a man to stake his money with more certainty on goods and properties. It prevents him from buying what the public doesn't want.

2. MARKET RESEARCH.—This, too, is observation, but carried a step farther. It is a campaign of observation.

Possible customers are asked what they prefer. Their answers are written down. By having this done a firm can design goods, or buy them for re-sale, with much less risk.

Certainly it is better to make an effort to find out what customers want than to make a blind guess.

3. STAFF TRAINING.—Whenever a retailer or manufacturer takes a chance on a higher-priced line of goods, his shop assistants or salesmen may let him down, unless he trains them to sell on quality.

The better trained that sales people are, the less risk there is in giving them higher-priced goods to sell. That may be called an axiom of business.

Almost every week one or more salesmen write to me and say—" My territory is no good." They

have slowed down and lost hope because they think they are in the wrong place. Some of them may be right, but the chances are that they have never done their best in their territories. If you will look at any list of salesmen, you will find that their sales depend less upon their territories than upon themselves.

A good salesman will do better in a poor territory than a poor salesman will do in a good territory. One of the best salesmen of the Electrolux company first rose to the top in North Wales. And one of the busiest department stores in England is in a small town in the Midlands.

There is a Club of salesmen in America called the "Million Dollar Round Table." It has about 150 members. Every one of them has in a year sold £200,000 worth of goods or services. The Chairman of this Club is Mr. Grant Taggert. He sells life insurance. In 23 years he has sold £3,000,000 worth.

Where is his territory? He lives in a small town of 800 people in the remote State of Wyoming—a little town called Cowley. His territory is "no good," but he has risen to the top.

"I've had a run of bad luck," said a young salesman to his Sales Manager. His sales had been steadily decreasing for three months. "Now that you are trying to excuse yourself," said the Sales Manager, "I'll have to tell you some facts. The cause of your bad luck, my boy, is right under your hat. You must blame yourself, not outside conditions.

"Most of our other salesmen increased their sales during the last three months. This proves that you,

and not outside conditions, are to blame. Also, your sales have been mostly on our lowest-priced lines. You have been concentrating on pushing the goods that are easiest to sell.

"During the last month you opened only three new accounts. This shows that you have been running around to old customers and neglecting the harder job of finding new customers. You have not been making an effort. You have not been doing your best. You have been letting your company down. Luck has nothing to do with it. Now, what do you say about that?"

"I plead guilty, Mr. Blank," replied the young salesman. "But just give me another three months, and I'll show you what I can do."

An old salesman and a young salesman were having breakfast together in a hotel in the Midlands. The young salesman said—"I'm going to beard the lion in his den today. I'm going in to see if I can sell goods to old Blank. I'm told he's a terror."

"He is," replied the old salesman. "I went in to see him five years ago, and once was enough. But you know the old saying—'Fools rush in where angels fear to tread.'"

"Well, I'm no angel," replied the young salesman. And away he went to call on old Blank.

In the evening the two men met again. The young salesman said—"You'll be surprised to know that I sold old Blank £32 worth of goods. And what's more, he asked me to call again."

"Well done," replied the older salesman. "Certainly you have proved it is more profitable, sometimes, to be a fool than an angel."

No doubt there are hundreds of thousands of men

who make this excuse to their wives—"I have no chance in this small town." It is as good an excuse as any other, as it makes a man feel big when he is confessing that he is a failure. It gives him a chance to swagger when he is admitting defeat.

The fact is that a small town need not dwarf a man, and a great city does not make a small man bigger. About 85 per cent of the people in London are small people.

If a man is really too big for his village or small town, his business and his influence will spread through his country. And if he is too big for his country, he will eventually become a national figure.

It may be taken as a rule that a man can at least START a big success no matter where he is. He can sell to forty countries from the island of Sark.

Many years ago the Wilkins family set out to make the best possible jam. At the time, they were living in the tiny village of Tiptree, in Essex. They didn't go to London to make their jam. They remained in Tiptree. And today they have tens of thousands of regular customers in Britain and abroad.

There is a small town in northern Scotland. It is called Dingwall. It is away off on the edge of the world, but there is a young man in it who sells seeds and bulbs to people in all parts of Great Britain.

That instructive pocket magazine—"READER'S DIGEST"—is edited by thirteen people who live in the tiny village of Pleasantville, U.S.A. It is 1/- a copy, yet it has a circulation of 2,000,000. They didn't go to New York to start their magazine. They didn't say—"We have no chance in this village."

Elbert Hubbard started his publishing business in

a remote village—East Aurora. And he was soon employing nearly everybody in the village.

The International Correspondence School was started in a small town. It built up a world-wide business. There is no similar business in any great city to compare with it.

When Thomas Bata set out to become the world's greatest shoe manufacturer, he did not go to Prague. He remained in the small town of Zlin, where he was born, and developed it into a city.

There is a small town in Canada called Brampton. It is famous for just one thing—an Englishman called Dale went there and began to grow orchids and roses. He is now the supreme orchid-grower in Canada.

Here are just a few instances. There have been many more. It is clear that WHAT you are is of more importance than WHERE you are. So, no man should moan to his wife—"I have no chance in this small town."

Many a man has acquired this fixed idea in his brain—"I am a small man. Even if I do my best, I can only make a small success." There are even quite a few young men, under thirty, who have this fixed idea in their minds. And the sooner they unfix it and get rid of it, the better.

Because a man is small today, it does not follow that he must remain small all his life. I have in my lifetime seen so many small men become big men that I believe it is possible for practically every small man to grow.

When a man settles down to be content with his smallness, that means he has no ambition, or that he is lazy. If he is lazy, he can be written off. The

names of the lazy should not be mentioned in a census of people who are worth while.

But if he has no ambition, he can acquire it. The right outside influence can create it in his mind. Ambition comes late to some men. It may come suddenly to a man of forty.

One of our greatest London merchants—Burbidge—did not set out to build up a great department store until he was more than forty years old. One of the greatest film producers—Laemmle—was the manager of a small clothing shop until he was more than forty.

In a word, a man may be quite unaware of his own exceptional abilities until he is forty years old or older. Suddenly he wakes up, discovers his own powers and ceases being a small man. He pushes his way to the front in his trade or industry.

We should have no patience with those preachers and teachers who say—" If you cannot be a Niagara, be content to remain a little rill." This sort of teaching is harmful and immoral. Surely it is a man's first duty to develop himself—to make the most of this short opportunity we call life.

Those outstanding people—the ancient Greeks! Why did they become so famous and unforgotten? Was it not because they had the lowest percentage of small people? There were not many of them, but most of them were large-sized men. They developed themselves.

What every firm needs is more large-sized people. There are seldom enough to supply the demand. There is a high position waiting for the man who will make himself big enough to fill it. And there are countless hard jobs that will remain undone

unless enough men develop themselves.

"There are more failures today due to thinking in ruts and acting in grooves, than to shortage of money," says Charles M. C. Symes. Of course, the cause of nearly every failure is mental. It is due either to a lack of knowledge or a lack of energy and ability.

Usually, when a man's business is doing badly, what he wishes for most is a rich, generous uncle. But if he had a rich uncle who tossed him a cheque for one thousand pounds, he would come back to his uncle in a year for another cheque.

When a man's business is doing badly, he must get the idea into his head that he is not running it efficiently. To muddle along desperately will not help him. He is going in the wrong direction. He must stop, think and learn.

The main cause of his difficulties is in his own mind. This is not a pleasant thought, but it is a thought that will, almost always, prevent a failure. A man can change failure into success if he will stop and say to himself—"I have been on the wrong track. Where can I learn what I need to know?"

A difficulty is big when it is too much for the man who wants to overcome it. And it is small when a strong man goes at it. A man may be like a pram, whose small wheels are stopped by a brick; or he may be like an armoured tank that can push a brick wall down.

Watch a strong Managing Director who is dealing with the matters on his desk. Does he pick up a paper and say—"I don't know what to do about this. We must have a Conference."

Not often. He dictates an order or a letter, gets

rid of the matter and picks up the next paper. In the course of the morning, he may tackle ten difficulties and overcome them, whereas a single one of these difficulties would have staggered a small-calibred man.

Any man who has his eyesight, and who thinks he has handicaps, should notice what has been achieved by men who are Blind. For instance, one of the most unique organisations in the world is the Exchange for the Blind in Brooklyn, U.S.A. It is composed of 55 blind men. They make brushes, brooms and mops. They do not receive a penny of charity. They make profits and help other blind men.

The head of the Exchange is Mr. Edward S. Molineaux, who has a very little sight left, and the Sales Manager is George Conroy, an Irishman, who is totally blind. Conroy is 39 years old. He had perfect sight until several years ago. Then he lost his sight. He had been a successful salesman. So he joined the Exchange for the Blind and at once began to put its sales up.

He does not sit at his desk. He goes out and finds customers. He now has over 500 accounts. He once secured a £2,000 order from a Government Department. He does not try to sell on sympathy. He tells no tale of woe. He sells on quality. With their keen sense of touch, the blind workers can make good brushes, brooms and mops.

Conroy is no price-cutter. The profit made by the Exchange averages about 35 per cent. The profits go to training other blind men and to helping blind people in various ways. The Exchange makes 37 varieties of brushes, brooms and mops. Their

trade name is "SKIL-TUCH." It guarantees its products and replaces any article that is defective.

There was once a young prospector who dug a deep hole and discovered gold. He had struck a rich vein. He followed this vein along for several weeks. Then it suddenly came to an end.

He did not know that there are "fault lines" in gold veins, and that the vein could be picked up farther on. He was discouraged and sold his mine for a song to an old miner. This older miner dug three feet farther and found the vein. He took out enough gold to make him rich. The younger man, you see, stopped three feet from a fortune. He quit because he came upon a "fault line."

We have all known such a thing to happen often in business. It, too, has its "fault lines." Many a good scheme fails for lack of just a little more perseverance. Many a man stops when his success is about to begin. One last big effort has created many a large enterprise. This is a fact to remember when we are discouraged by a failure or a loss.

There are two quite different ways of becoming rich—the way of the miser and the way of the business man. The miser's way is the wrong way. It is saving—hoarding—locking money up and thus making it useless. An individual, if he is selfish and foolish enough, can get rich by being a miser; but if a whole nation acts in a miserly way, down it goes into poverty and squalor. If we all began to live on rice and vegetables—if we began to wear ragged clothes and to live like peasants, the whole structure of our civilisation would fall down.

It is better to keep your standard of living high than to live on soup and sleep in a garret. Every

sensible person saves a bit, of course. A little money in the bank is like a flywheel. It pulls you over hard places and makes you independent. But saving should not go too far. When it does, it sacrifices the man to the money. The man should always come first. Keep most of the money going. Money isn't money till it moves.

Chapter Eight

MAKE EMPLOYEES MORE PROFITABLE

ON one occasion I asked a London retailer—"And what is the value of your stock?"

"Oh, about £80,000," he said.

"That is a big bet," I told him. "It is a lot of money to stake on the selling ability of your shop assistants.

"We never put money on a horse unless we know that the horse has been trained. Never yet has there been an untrained Derby Winner.

"And how much money did you spend last year on training your shop assistants?" I asked him.

"Not much," he confessed. "I believe that we did spend £100."

"Well," I replied, "seeing that you have staked £80,000 on their ability to sell, it does not seem that you have done much to prevent yourself from losing your bet."

Here is a fact of tremendous importance to retailers—the shop assistant is, as a rule, the weakest link in the long chain of production and distribution.

Almost everyone else who handles the goods has both skill and capital, but the average shop assistant has neither. No shop assistant has capital and probably only one out of ten has skill. The great mass of shop assistants are practically untrained people.

Take, for instance, the process of producing and selling a woollen jumper. The owner of the sheep,

in Australia or elsewhere, has both skill and capital. He has studied how to care for sheep. He sells his wool to a big wool dealer, who also has skill and capital. He sells to a firm of spinners, which sells its yarn to a firm of jumper manufacturers. Both firms have skill and capital.

The style of the jumper is designed by a highly skilled designer. The wool and yarn were transported by skilled men, on ships, railway trains and lorries. The jumper is bought by a wholesaler, who resells it to a retailer. Both men have skill and capital and a knowledge of jumpers.

Finally, after passing through the hands of twenty or thirty skilled people, the jumper is placed on a counter that is attended by a sales girl. A customer comes along and picks up the jumper. The sales girl says—"Rather nice. It is 21/-."

That is all she says. She knows nothing about wool or jumper designing. She knows only the price and she thinks it is expensive. The customer puts down the jumper and moves on. She does not buy it. In the long chain of production and distribution the sales girl was the weakest link.

Just at the one place where skill was most needed—at the point where a possible customer picked up the jumper—there was no skill, no knowledge of either salesmanship or the goods.

That untrained sales girl made a loss for the retailer and the wholesaler and the manufacturer and the spinner and the wool dealer and the owner of the sheep ranch.

She put a stop to the whole process at the point of sale. There are hundreds of thousands of these sale-stoppers. Is there any other matter as import-

ant to retailers as this? I think not. The weakest link is the shop assistant.

In 1936 there were 9,000,000 people who entered a certain provincial department store in England. But only 5,000,000 of these people bought goods. And the average sales amounted to only 3/9. If 5 per cent of the non-buyers had been persuaded to buy, the sales would have been increased by £37,500. If every customer had spent sixpence more, the sales would have been £125,000 more.

In 1932 an English business man died and left a profitable business to his wife and his 20-year-old son. Also, he left them £10,000 of life insurance money. Today the business has come to an end. The widow is keeping a boarding-house. And the son has a £2-a-week job in a retail shop.

Now, that business man, as you can see, meant well. He was a good husband and father. For years he paid the premiums on a life insurance policy for £10,000. He expected that this would give his widow an income of about £400 a year.

Also, he built up a business that was very profitable during his lifetime. He thought he had done all he needed to do to make his wife and son safe from the lack of money.

What, then did he neglect? He neglected to teach efficiency to his two managers, and to his wife and son. He ran a one-man business. When the one man died, the business staggered along to a crash.

So, here is a matter that a good many of us should think about. We should not become too indispensable in our business. We must train others so that they can carry our business on.

There is a company in America making electric ventilating equipment. It was started thirty-one years ago. It has three hundred employees. They average fifteen years' service. And in the last ten years only two have been discharged. As you can see, this is a remarkable record. The main reason for it is that employees are practically treated as partners.

They are encouraged to make suggestions and they receive bonuses that depend upon profits and length of service. There is a Suggestion Box in the factory and alongside of it is a "Suggestion Scroll." On the Scroll are the names of the employees who have received awards for suggestions. And after each name is a coloured star.

A red star means an award of from 8/- to 36/-. A green star means £2 to £4/16/-. A silver star means £5 to £9/16/-. And a gold star means £10 or more.

By this means the brains of three hundred employees, most of them, have been stirred into action. They are thinking for the welfare of the company, just as though they were Directors.

In most firms the employees are not expected to think. Consequently, they don't. And what the firms lose by this stupid policy is vastly more than they realise. Always—the more thinkers, the better.

Quite a few firms have told me—"We have tried the Suggestion System and it didn't work. Our employees simply ignored it." The reason was, of course, that they did not give it a fair chance to succeed. There is a right way to put in a Suggestion System.

It is not a perpetual motion scheme. It has to

be kept going. The judges must be fair and well liked by the employees. There should be prompt decisions, either weekly or monthly. Subjects should be suggested by the heads of the firm. And names of prize-winners should be posted up.

When the Managing Director of a large English firm died, his place was taken by his son, a man of fair abilities but who was utterly devoid of tact. The new Managing Director called his whole staff together and made a short speech. His opening words were—"I want you to know that not one of you matters."

He could scarcely have said anything worse than this. It was a bad beginning. The teaching of efficiency is that every person in a firm matters—that there is not one unimportant job.

On one occasion, all the five thousand employees in the Myer's department stores, in Melbourne and Adelaide, were asked to take part in an "Anti-Waste Drive." They were told that the rising cost of paper and other supplies was decreasing the net profits of the stores. They were told that "every £1 wasted is as costly to the stores as £40 in lost sales."

The employees were no doubt surprised to know that the waste of a penny-worth of paper destroyed all the net profit on a 3/4 sale. Certainly, shop assistants need to be told that all waste comes out of net profits. It reduces the amount of money available for dividends, salaries and wages.

In one large department store there are twenty-two salesmen in the Electrical Appliance Section. And they are in the charge of a competent manager who has developed them into a real team. They

sell refrigerators, washing machines, ironers, radio sets, etc. And these require skill and enthusiasm in selling.

The Manager holds three half-hour sales meetings a week. He gives his twenty-two men two outings every summer and two dinners every winter. He gives his men books on salesmanship and business magazines. He trains and stimulates them. How seldom is this done!

When workers of the Triplex Glass Company at Birmingham open their pay envelopes every Friday, they find besides their wages, a message from the Managing Director, Mr. Graham Cunningham. The idea is to create a closer relationship between himself and the employees.

This seems a good idea for a great number of businesses. The men at the top do not take employees sufficiently into their confidence. This scheme does give the work-people an opportunity to reply to the Managing Director, and no doubt many of these replies could be of much value to any firm. Mr. Cunningham's messages have dealt with many subjects, and as a result his work-people have sent him a number of most interesting replies.

A skilled Sales Manager found that his salesmen were not calling on quite a few firms. The salesmen said that it was impossible to sell to these firms. So, at a meeting of his salesmen, the Sales Manager asked them to give him the names of six of these "Impossible" firms. The salesmen did so.

The next day the Sales Manager picked up a sample case and went on the road to see these six firms. He sold goods to five out of six of them. At the next monthly meeting of his salesmen, he

showed them the orders from the Five "Impossibles."

Then he requested every salesman to hand in a complete list of the firms he had been regarding as "Impossible," and to concentrate his attention on these firms during the following month.

As a result, many new customers were secured. Better still, the delusion of "Impossible" was fairly well taken out of the salesmen's minds. The Sales Manager did not merely talk. He acted. He made a demonstration. He proved that he was a real Leader of his men.

The rules and formulas of business are not like the rules and formulas of a laboratory. They are not always sure. There are often exceptions to business rules. The reason why there are exceptions is that they deal with human nature, and people are not like chemicals. We know what carbolic acid will do. It will always act in the same way. But we seldom know for sure what a man or woman will do.

For this reason some business men say—"I don't take any stock in the rules and formulas of business. In business life the fact is that you never can tell." These men are mistaken. There ARE rules. What's more, you will notice that every man has rules of one kind or another.

The man who is too stupid to learn the standard rules of business, makes up little twopenny rules of his own. He makes rules out of his own little personal experience. It is worth noticing, too, that most of his rules refer to what can't be done.

While talking to a salesman, whom I met by chance on a train, he said—"I never read books

on salesmanship. Book knowledge is no use to me. I don't believe in the rules that have been drawn up. No two customers are alike."

A few minutes later he said—"You can't sell goods on Saturday mornings. It is a waste of time to try." He had, you see, a rule of his own. It was a silly rule. It was based on his own failures and perhaps on his own laziness.

Goods CAN be sold on Saturday mornings. Saturday morning is 9 per cent of the week. That salesman had a little rule of his own that reduced his sales and his pay. We have now shaped the experience of thousands of SUCCESSFUL men into rules that are helpful. No business man can afford to ignore this fact.

There are now rules and formulas that are of the highest value. They constitute the technique of business. And those who do not know these rules are amateurs, not professionals, in the business world. There are still exceptions. Yes, there are. But a man will do well enough if he is four times right and once wrong.

No employee should be blamed, and no man should blame himself, for a FIRST mistake. Anyone who is learning, going forward, is sure to make first mistakes. "Nobody ever stumbled when he was standing still," said Kettering, the research man. A man who climbs a mountain has a score of stumbles before he reaches the top.

Every great inventor or scientist succeeds by making first mistakes—by finding out what can't be done. Edison would sometimes try a thousand wrong things before he found the one right thing. But to make the same mistake twice—that is care-

less. To make it three or four times—that is stupid.

There are untrained workers—tens of thousands of them, who make the same mistakes every day. They have not learned the one right way to do their work. There are salesmen, so-called, who have been saying—"Nothing today, I suppose?" for years. And they have not yet learned what a bad mistake this is.

When we apply the methods of efficiency to a business, we look for these constantly recurring mistakes and correct them. Invariably, a firm is amazed to find out how many of them there are.

No firm can get its people to do their best unless it gives them a big, hard job to do—unless it aims to accomplish something difficult.

When a shipbuilding firm has the task of building one of the huge ocean liners, practically all their workmen do their best. They are proud to be working on such a job.

When a building contractor is erecting a superb office building or hotel, his workmen invariably do their best. They, too, are proud to be working on such a job.

It seems to me that any firm, large or small, would do well to say to its people:—

"This year we are going to make a mighty effort. We are going to see if we can DOUBLE our net profits. This will be the hardest year we have ever had. If we do our best, we can win. And a bit of the extra money will go to every one of us."

Then put up a blackboard and write on it every month the gain in net profits. As soon as there comes a month when the net profit is doubled, celebrate the victory with a Dinner and Dance.

Such an experiment would prove to any Managing Director that his people have great reserves of working power. These reserves can be called into action by having a purpose—by making a mighty effort to do something difficult.

A bit of excitement every day is a good thing for both brain and body. The "thrills" of Blackpool, for instance, are curative to people who live monotonous lives.

According to articles in the daily Press, the women who live in quiet, suburban houses, are in danger of losing their health and their happiness. A quiet, lonely, uneventful life has its dangers. It may lead to morbidness and neurasthenia, as all doctors know.

On the other hand, the one place in London where there is constant excitement is the Stock Exchange. And the brokers there live long and joyous lives. There are 840 members of the Stock Exchange who have been members for over 35 years.

The oldest member—Mr. James Skinner—was admitted to the House in 1872. For 67 years he has been in the midst of excitements. He has gone through a dozen booms and a dozen depressions. Seven other "Old-Timers" have been members for more than 60 years. It is very plain that an excitement a day keeps the doctor away.

So, every business man should remember that a bit of excitement is a good thing for the people in his business. A Sales Contest, a picnic, a motor-coach trip, a dance, a concert, a mass meeting—all these have a tonic effect upon managers and employees.

As one who belongs to the GOING generation, I find myself taking more and more interest in the COMING generation. When most of the friends of your youth are dead, the only way to prevent a sense of loneliness and isolation is to take a keen interest in the young people of today.

Every man who is over 60 should associate as often as he can with young men who are beginning their careers. He should not sit amongst them as a Censor—as a solemn Know-it-all. If he does, he will be shunned as an old relic of the past.

He should not assume that he represents Wisdom and that the young men represent Folly. That is a very common delusion of older men. He must not make his experience a Bible and preach to young people about what is wise and what is foolish. He may have been much wiser 20 years ago than he is today. There are many things that he can learn from young people.

We of the going generation have good reason to feel proud of ourselves. This is a vastly improved world as compared with what it was 50 years ago. We have good reason to feel humble, too. We made many mistakes. We must accept the blame for the Great War, and for the piling up of mountain-high debts. We are leaving the coming generation these debts to pay, and many hard problems to solve.

It seems clear that we should treat the coming generation with interest, respect and consideration. The young people are the favourites of Time, whereas we older people will soon be its victims.

The young people are more closely in touch with the near future—with the new opinions and methods and trends. An older man, for his own sake and

for the sake of his business as well, must have young people around him.

Every big firm should have a "Junior Board of Directors." Every older man should take a young man to lunch now and then. Old Age has just as many faults as Youth. That is a hard pill for some older men to swallow. But it is true.

All of us who are older are inclined to regard young men of from twenty to twenty-five as mere lads. No doubt most of them are. But now and then there is a young man of twenty-five who is mentally fully grown and fit for big responsibilities. To keep him in a small job is a serious mistake.

Newton and Kelvin were famous scientists at twenty-four. Charles Dickens was twenty-four when he wrote "PICKWICK PAPERS." McCormick was twenty-three when he invented the reaper. Westinghouse was the same age when he invented the air-brake. Some young men have brains that develop quickly. We should not forget that.

Chapter Nine

SUGGESTIONS TO RETAILERS

IF you want to live up to the code of the Boy Scouts, and do a good deed every day, you might ask the first six people you meet—" Are you thinking of starting a small shop? " It is quite probable that one of them will reply—" Yes." Then you can say—" Don't."

The two most popular ways of losing money in Great Britain are betting and starting small shops. And there are far more people that make a 10 to 1 win in betting than there are in running small shops.

There is a general delusion that running a small shop is an easy job. The truth is that it is a very hard job. It requires likeability and five or six other kinds of ability. No small shop can keep going unless it turns over its goods quickly and keeps its customers. Any man or woman who can make a small shop pay, is qualified to run a big shop.

A research man has discovered that three-fourths of the retail businesses in Canada do not last six years under the same management. Only one out of every four keeps going for six years without being sold or re-organised. And many, of course, are wiped out before the end of six years.

There is no reason to believe that retailing in Canada has more difficulties than it has in the United States or Great Britain. In most countries

shops are started by people who have not enough capital and not enough knowledge of retailing. There are more amateurs in retailing than there are in any other line of work. There is a common delusion that "anyone can run a little shop."

This is a matter that may be dealt with some day, in a large way, by wholesalers. They have heavy losses because of the high death-rate among retailers. They might see to it that all small retailers would be given some instruction on efficient retailing. A few progressive wholesalers have already adopted this wise policy.

Every year a large number of women who had started little shops, restaurants, bakeries, etc., go out of business and lose their capital. In my opinion the usual cause of failure is this—they wholly neglected the job of customer-finding.

They rented a shop, put in fixtures and stock, got all ready to serve the public and then waited for people to come in. Nobody told them that in every successful business there is always a quest for new customers.

A certain small shop about a mile from where I live has had three women tenants in four years. All three women failed and lost their capital They did nothing to find customers.

A woman shopkeeper will spend quite a bit of money on fixtures, but she holds back from spending money on advertising, or on the giving of samples or on house-to-house canvassing.

The result is that there is only a little dribble of customers. There are not enough to make the shop pay. And eventually it comes to an end.

Men shopkeepers fail, too, but usually for a dif-

ferent reason. They are much more likely to go customer-finding than women are.

A Mint can make money without advertising, but very few shops can. Something must always be done to bring new customers in.

There is one little shop in the West End of London that has seen seven failures in nine years. Seven women who had a flair for fashion rented this shop, and then found that they had no flair for profit-making. Every one of these women, no doubt, had her friends, but she soon found out that she hadn't enough friends to make her business pay. Also, too many of her friends asked for credit, and too many of them were slow payers or non-payers.

If these women had asked the advice of an experienced retailer, they would have saved their money. They would have first prepared themselves to be retailers, by saving a bit more money and by acquiring more knowledge of the art of retailing. Almost all small shops are started too soon. There must first be enough capital and enough knowledge.

Quite a few retail shops are narrow and very long. They are like a dachshund, which is half a dog high and a dog and a half long. Such a shop should have a white wall and some kind of an eye-catcher at the back. To floodlight the back would increase sales. The main thing in a long, narrow shop is to attract the customers to the back. This fact ought to be obvious, but it isn't.

Many a small shop has a ragged, worn-out foot-mat at the door, and scraps of shabby lino on the floor. The result is that the general appearance of the shop is spoiled. It looks untidy and poverty-

stricken. It pays to have a better-grade mat and new lino. Better-class customers are not likely to keep on buying in a shabby shop.

Mr. John C. Kirkwood goes so far as to say that "95 per cent of all retailers undersell their market." He says that retailers block the free flow of advertised goods to the consuming public. In a word, he says that retailers are not doing their full share in the job of distribution. They are letting the manufacturers down.

This charge does not apply, in my opinion, to the department stores and the best-managed speciality and multiple shops. But it does apply to the mass of retailers, probably to 90 per cent of them. Certainly they are underselling.

Retailers are not only competing with one another. They are competing with firms that are outside of the retail field. And the outsiders seem to be winning.

It is clear that any retailer must make a mighty effort in order to get his full share of the money of the public. He must compete with a host of attractions, amusements and new necessities.

Most families, for instance, need some new furniture. But they are making the old beds, couches and carpets do, because they want the money for other purposes.

Mrs. Smith needs a new dress, but she does not buy it. Why? Because she wants an extra pound to spend at the seaside.

Mr. Smith needs a new suit, but he does not buy it. All his spare money is needed to pay for his motor-car.

John Smith, eighteen years old, had intended to

buy a better radio set, but he has changed his mind and is going on a cruise instead.

Multiply these instances by millions, and you will see what retailers are up against. They must be all-alive to get their share of the public's money. What can a retailer do? He can do at least these four things. He must do them if he wants to avoid underselling:—

1. Have a campaign of customer-finding.
2. Have more attractive window-displays.
3. Increase his average sale.
4. Train his shop assistants.

Now that there are so many shops and so many outside attractions, a retailer needs far more knowledge and energy and technique than was necessary twenty years ago.

A reduced percentage of people's incomes is being spent in retail shops. People are now spending so much on houses, motor-cars, travel, holidays, cinemas, football pools, etc., that they are spending a smaller percentage of their money in the shops.

In 1937, American retailers received only 56 per cent of the incomes of the American people. No doubt the percentage in this country was about the same. Only a little over half of the public's money is now going to retailers.

So, here is the main reason for Sales Promotion and Advertising. Retailers must reach out for a larger share of the money of the public. They are not getting as much as they ought to get. All along the line there must be better salesmanship. There must be more showmanship—more excitements—in retailing. This cannot be denied.

The retailers in small towns have no idea as to what percentage of goods is bought from outside firms by the people in their town. Invariably, the percentage is much higher than they think it is. They would be staggered if they knew how much trade they are losing.

Two small towns in America set out, a few months ago, to find out the answer to this question—"How much are we losing?" These towns are Richland Centre and Beaver Dam, in the State of Wisconsin. One has a population of 3,600 and the other 9,800.

Each town has an active Chamber of Commerce. And the two Chambers sent out 1,700 questionnaires, asking the people of the two towns where they bought their goods. They received about 700 replies.

The members of both Chambers were amazed at the answers. They had not known that so much money was being spent out of the towns. They found that the people of their towns went elsewhere to buy—

52	per	cent of	women's clothing.
33	,,	,,	children's clothing.
32	,,	,,	shoes.
30	,,	,,	men's clothing.
24	,,	,,	piece goods.
15	,,	,,	motor-car supplies.
14	,,	,,	chemists' goods.
11	,,	,,	ironmongery.

In the case of both of these small towns there is no large city near by. The nearest large city is sixty miles distant. A small town with a large city twenty miles away would probably lose much more trade

than these two small towns do. Apparently, it is correct to say that at least 25 per cent of the income of families in small towns is spent outside of the town.

The people who answered the 700 questionnaires gave their opinions frankly about the retailers in their towns. About half of them complained of the incomplete stocks of the retailers, 30 per cent of them said the prices were too high, and 20 per cent said that the shop assistants gave poor service.

Several other of the most common complaints were as follows:—

Not enough high-grade merchandise.
Too many dresses of one style.
Refusal to allow return of goods.
Lack of liberal credit terms.
Not enough parking space for farmers.

Also, quite a few citizens said that the local retailers and their wives bought too much from the stores in large cities. They did not set a good example by buying at home.

This proves that, in the main, the retailers in small towns have themselves to blame when their fellow citizens spend 25 per cent of their money outside of the town.

In general, it is a wise and just policy to do business with those who do business with you. Naturally, a man should favour his own customers when he buys. Reciprocity is a useful policy in business life. The man who does not favour those who favour him is not exactly playing the game.

It is right and profitable for any firm to favour its own customers when it buys. It keeps the money

in the family, as we might say. The people in a small town should buy as much as possible from local shopkeepers. That keeps the money in the town. To buy from those who buy from us is more than a matter of gratitude or fair play. It is a sound business principle.

Many large stores now have dining-rooms. And it seems to me that they do not make a good use of them. Some stores have found it a good plan to have mannequins walk through the dining-room during the lunch and tea hours.

One store has Fashion Show Dinners on Monday evenings, charges 4/- per dinner, including tip, and has all the tables engaged, usually. Certainly a store's restaurant should help more than it does in the matter of sales promotion.

Every big store must have some news every week. This news can be told in advertisements or in its windows, on Talk-cards. When there is no news, it must make some. It must do as the newspapers do. It must make a big fuss about some small matter.

Uusually a newspaper tells its young war correspondents—"When there is no news, don't cable it very fully." So it is said. There is always some timely line of goods that can be made conspicuous and interesting. In a big store there must be a campaign of Sales Promotion that never stops.

Someone has said that "women have a small stock of words, but a very rapid turnover." Whether this is true or not, it is certainly true that a shopkeeper who has a small stock of goods must turn over his stock quickly.

One of his greatest dangers is that he may buy

goods that will not be sold for a year or longer. He must concentrate on quick sellers. Once, in a small toy-shop, I counted twenty-three dolls, all alike. That was twenty too many. The less a man's capital is, the more he must keep it moving.

A retailer in Bexhill gave me this suggestion regarding dead stock — that manufacturers and wholesalers might arrange to take back any goods that have proved to be "stickers," for a small fixed charge. The multiple shops have no dead stock, he said. Any goods that do not sell in one shop are transferred to another shop, where there is a known demand for them.

Certainly, no manufacturer or wholesaler wants to send out his goods "on sale or return," although quite a few are doing this. In my opinion, it would create more trouble and loss than profit. When goods are sold, they should stay sold. However, there is nothing to prevent half a dozen retailers in the same line from exchanging their "stickers," as the multiple shops do.

A merchant in Birmingham asked me—"Should I spend my advertising money in pushing my best-selling goods or the goods that are slow selling?" The answer was—he should push his best sellers. If he calls attention to his slow-selling goods, his advertisements may do him as much harm as good. He should advertise what is most popular at the moment, as the main purpose of his advertising is to attract the greatest possible number of customers to his store.

To advertise his "stickers" lets his store down. He should advertise what he can sell, not what he wants most to sell. His "stickers" should neither

be advertised nor put in his windows. They should be displayed on special counters or tables inside his store. All this seems "obvious" when once it is clearly stated, but it is amazing how many merchants there are who constantly waste money in advertising the goods that most people don't want.

A very small advertisement, constantly repeated, often proves to be very effective. A certain roof-mender has had the following seven-word advertisement running in his local daily paper every day for eight years: "Roof leak? John Barton. Phone Main 4682." Everyone in the town has now memorised his advertisement, and he has plenty of customers.

A store in San Francisco—Hale's—was selling three makes of carpet-sweepers. And it was not selling very many. It decided to make a change. It dropped two of the makes and concentrated all its attention on one make only.

It called the attention of all its sales people to this one make of carpet-sweeper—taught them its quality-points and showed them how to demonstrate it to customers.

It improved its window displays of carpet-sweepers and its interior displays as well. As a result, without the use of more floor space, it sold five times as many carpet-sweepers in the first year of this experiment.

A furniture store in Dallas increased its sales all along the line by making a fuss about chairs. Inside the store it had about twenty posters, each one showing a different design of chair.

It adopted this slogan, which it used in big type in the local papers—"When you think of chairs, think of Sangers." Practically every home needs a

new chair or two, and when people go to buy chairs, they will usually buy other pieces of furniture as well.

Mr. Carles M. C. Symes tells a story of a friend of his who is a prosperous baker. This baker now owns three shops, and made a net profit last year of £1,600. This baker told Symes that there were two secrets for his success.

"I make higher-class goods than my competitors do," he said, "and this enables me to get profitable prices.

"Also," he said, "I have a Problem Book. I write down my various problems in this book, and then write down what I must do in order to solve them." So, here are two methods that would help many other people beside bakers—sell higher-grade goods and have a Problem Book.

If I had a tea-house, restaurant or hotel, the last thing I would economise on would be tea. I would pay 1/- a pound more for my tea than any of my competitors. This would put up my costs only a farthing a cup, and I would have a wonderful increase in business because of those farthings.

The marvellous growth of the huge Lyons company is largely due to the fact that it has always served good tea in its tea-shops, Corner Houses and hotels. And what's more, it serves good coffee as well.

Millions of meals are spoiled every day in Great Britain by cups of weak, tasteless tea. How many boarding-houses are there that serve good tea? Not one out of a hundred. We are a nation of tea-drinkers and all the people who serve food in this country should bear this fact in mind.

There is an especially efficient retailer — Mr. Walter M. Elliott, who owns a general store in Shelton, a small town in the State of Washington, U.S.A. There are only three thousand people in the town, but this store sold in a year £100,000 worth of goods. As you can see, it is no ordinary store. It can teach even big department stores quite a few things. It is called the " Lumbermen's Mercantile."

One of Mr. Elliott's methods is to give every department manager the amount of goods which must be sold each day, in order to cover all expenses. He calls this the " Break-Even Point." If the sales do not reach this point, then a loss has been made for the day. And all the money taken in above this point is net profit.

Here, for instance, are the figures posted up in the various departments:—

Groceries	£128
Meat	£30
Drapery	£18
Ironmongery	£72
Men's Wear	£18
Building Materials	£18
Shoes	£11
Cattle Feed	£34

The value of this method is that it makes all department managers and shop assistants think of net profits every day. All the people in every department know when they have had a bad day, and when they have had a good day. They are more likely to make an effort every day to put the sales above the " Break-Even Point."

Another of his ideas is this—when he has slow-

moving articles, he works them off by making "Combination Offers." He puts one of these articles in with five or six others and makes a low price for the lot. This is a better way, he thinks, than to offer slow-moving goods at cost or less than cost.

In his whole country there are only ten thousand people, and the large city of Olympia is not more than twenty miles away. But Mr. Elliott has learned the art of "Customer Control." He holds his people.

Chapter Ten

CONCENTRATE ON NET

THERE is no better test of the money-making efficiency of any business than this—the percentage of net profit. When a firm takes in £100, how much does it keep for itself? If it keeps only £2, then the business is not very profitable. It is not even safe. If it keeps £5, then it is safe and doing fairly well. If it keeps £10 or more, then it is an efficient, satisfactory business.

Some large businesses, I know, such as wholesalers, for instance, have a very low percentage of net profit. They have a huge volume of business, but they have comparatively few employees. In several ways their risks are less, and they jog along with a very small margin of net.

It may be taken, perhaps, as a general rule, that it is not very profitable to sell £100 worth of goods unless at least £5 goes in your own pocket. And then the Government will take 25/- of that. It is better to sell £50,000 worth of goods and make £3,000, than to sell £100,000 worth of goods and make £3,000. To strain after volume of business, instead of net profits, is one of the commonest mistakes in the business world. It has tumbled down many a firm.

Seven large American companies increased their sales 10 per cent. And they increased their net profits by 52 per cent. Whenever an extra push

is given to sales, without increasing rent, wages and overhead costs, the effect is magical.

Quite often, when a firm is not doing too well, an increase of 10 per cent in the volume of sales will double the net. This is one of the most important facts for any business man to know, yet many never give it a thought. Just 10 per cent more sales usually makes a wonderful improvement in the Balance Sheet.

In Great Britain it is not "good form" to be interested in net profits. There is a general pretence that a man who is keen on making money is a sordid, lower-class man. We have a good many "pretences" in Britain, and this is one of the silliest.

The subject of increasing net profits is not dealt with in our Public Schools and Universities. It is very rarely dealt with in our popular magazines or even in the daily Press. It is almost universally neglected by writers and speakers, yet the fact remains that our whole civilisation depends upon the making of net profits.

A noted economist, whom I once met on a train journey, said to me—"My dear sir, net profit is not at all the most important factor in business."

Even a business man is likely to neglect the matter of net profits. Why? Because he has so many more things to think of. His routine work takes up most of his time, because most of its details are urgent. He must do today's work today.

He is compelled to attend to his correspondence and to telephone calls. His people run in to him with questions. Visitors, too, come in. He may have outside interests. He has all manner of distractions. His sales people are all concerned with

volume of sales, not at all with net profits. If he has a large business, most of his managers are departmental.

If he is a manufacturer, his production men are concerned with output, and they will proceed, with great self-satisfaction, to make more goods than he can sell.

The average business man, whether small or large, has, I suppose, fully a hundred other things to think of besides net profits. These other matters push themselves in and take up nearly all of his time. He does not realise how much of his time has been taken up by these lesser matters until he sees his Balance Sheet.

All through the year, until he sees his Balance Sheet, the average business man believes that his NET profit is more than it is. He knows his gross profit. He knows what his mark-up is. But he does not know how much of his gross is net.

Roughly speaking, I have found that a retailer's net profit is usually about one-seventh of his gross profit. Only ONE-SEVENTH. A jeweller's profit is sometimes only one-tenth, while a grocer's is sometimes as high as one-fifth.

The fact is that few of us are aware of all the leaks, wastes, breakages, theft, etc., that cut down the net profit. Almost always, a man's expenses are more than he thinks they are. And so he goes on dreaming of a higher percentage of net until his Balance Sheet wakes him up.

We have quite a few trades and industries in which the mark-up is much too low. It has been forced down by competition and price-cutting. So,

here are two problems that many of us should tackle:—

1. The possibility of a higher mark-up on certain lines.

2. How to secure for ourselves a higher percentage of net profit.

The average retailer has a very small margin of net profit. In most cases he does not know how small it is. All sorts of attacks are being made on his net. There are coupon systems, and stamp systems and club systems, as well as the price-cutting of competitors who are committing business suicide.

Shops are set up in schools to take away his trade. Some wholesalers sell direct to his customers. Mail Order houses send his customers catalogues and leaflets. Even a Church jumps in, now and then, with a "Sale of Work." All this cuts down a retailer's profits.

So, a retailer must concentrate his attention on net profit, not on volume of sales. He should not work for nothing. When any grand scheme is offered to him, in return for a 10 per cent discount, he should pass it on to one of his competitors. He cannot afford to sell as a wholesaler. He can hold his customers by cheaper methods than by making gifts to them. He can hold them by extra courtesies, by friendliness and reliability.

American merchants made a mistake that is now costing them nearly £40,000,000 a year. They cheered women customers on to bring back goods for any reason or for no reason at all.

A vast number of women now "buy" a dress or coat or hat, wear it and bring it back. This is dishonest, but they do it. Here you have one of

the main reasons why the net profits of most American department stores are so small.

The most costly mistake that American companies have made has been the effort to get volume of sales at the expense of profits. So said a competent Managing Director to an audience of a thousand Sales Managers in New York. He gave several striking instances:—

One company had found that 58 per cent of its volume was done at a loss.

Another company had made a loss of £80,000. It cut its sales from £1,200,000 to £900,000 and made a profit.

A brewery that had 22 distribution points and was losing money, cut the distribution points to 10 and is now making net profits.

A hat manufacturer who was advertising 19 brand names, greatly increased his net profits by concentrating his selling efforts on one hat—the one that was his best seller.

There are many such instances in Great Britain as well as in America, although the "volume" delusion is not as prevalent here. The fact is that volume of sales has simply nothing to do with the success of a company. It means only the amount of work done.

It is much better to sell £10,000 worth of goods and make £1,000 net than to sell £20,000 worth and make £500. This is a fact that is always ignored by price-cutters.

The Managing Director of a prosperous and famous firm once said—"I have always tried to follow two very simple rules in my business life. The first is to take all the business I can get upon

which I can make a profit. The second is to leave my competitors all the business upon which I would lose money."

There is no firm that can hope to sell to everybody, but an astonishing number of firms believe that they CAN sell to everybody, if we may judge by their efforts in advertising and sales promotion.

A very few firms know how many of their customers are profitable and how many are not. These firms can then take steps to cut down the profitless selling. They can put an end to working for nothing. A large firm should study the costs of sales as thoroughly as an efficient manufacturer studies the costs of production.

No one can deny that this is a wise policy, though it is not often carried out. A firm should know what methods of advertising have been most profitable, and what have been a waste of money. It should know the territories that yield the most net profit, and those that yield no profit at all.

A Sales Manager must make experiments, but he should not keep on with any method that has made a loss. No Sales Department should be cheered on to increase the volume of sales. That is the wrong purpose. Its aim should be to secure the greatest possible number of sales on which a net profit is made. Profitless selling is not business.

Now that there have been so many broken prices in many trades and industries, we must give some thought to the matter of price-repairing. If you break your motor-car or your radio set, you can have it repaired in a short time. But it is no easy matter to repair a broken price.

If an article has been selling for years for 10/6,

and if the price is slashed to 8/11, it is not easy to restore the price to 10/6. In fact, no price can be repaired without a drop in sales, unless there is skilled salesmanship and effective advertising.

It requires no skill at all to break a price, but it requires a great deal of skill to put the price back where it was. This fact should be considered by any firm before it decides upon a policy of price-cutting.

There was once a big manufacturing company in England that was tumbled into bankruptcy by these seven words—" You have to make a competitive price." These words were used as a slogan by the Sales Manager of the company.

He had an obsession that the one way to secure a big order was to cut prices. He cut them below the net profit level. He kept the factory busy, but the company paid no dividends. At last, he cut them so low that the company made a £50,000 loss and in walked a Receiver.

This is a foolish, company-smashing slogan—" You have to make a competitive price." The duty of a Sales Manager is not to sell goods. It is to sell goods at prices that yield a net profit.

Any Sales Manager who makes a policy of price-cutting does not know the A B C of salesmanship. A Sales Manager is not paid by the customers. He is paid by his company and his first duty is to increase its net profits.

Two Negro farmers in America were talking about their troubles. One said to the other—" Do you know, you bought pigs for four dollars each, you fed 'em for six months and then you sold 'em for four dollars each. You can't make money doing

that." "That's true," replied the other. "I found that out."

This Negro pig-breeder, as you can see, was a man who learned by experience. And there are plenty of men like him in the business world. Whenever a man starts a business that he knows nothing about, he is an experience-learner.

In the long run he may learn what he needs to know, if his capital holds out. But it is likely that his money will be gone before he gets his knowledge. Now, we will always have to get some of our knowledge by losses and mistakes, but we should try to get as much as possible of our knowledge from other people.

Happening to remark to a friend that our railways have reduced their fares too much, his reply to me was—"Well, the trains have to run anyway. A little extra money is all to the good." It seems to me that there might be a very keen debate on this subject. Much could be said on both sides.

My own opinion is that it is a mistake to sell goods or services below cost, for the sake of the "extra money." Often, when a retailer's expenses are over 20 per cent, he will deliberately slash his prices to get a greater volume of business. He will mark up a lot of his goods 10 per cent only. He does this because he thinks—"My store has to run anyway, and a little extra gross profit helps."

Often, when a manufacturer's costs are 25 per cent, he will accept a big order that pays only 10 per cent. Why? Because his factory must run anyway.

Many businesses have failed because they made this mistake. Instead of doing every possible thing

to maintain prices, they carried price-cutting too far. They lowered the price levels in their line. And that is always a dangerous thing to do. Prices can be lowered safely only by reducing costs.

Our young radio industry, when it first set out, had three problems to solve:—

1. How to make high-grade radio sets.
2. How to cheapen these by mass production.
3. How to have a system of selling that gave a net profit to dealers and manufacturers.

Now, the radio industry has solved the first two of these problems. But it has failed to solve the third problem. Why has it failed to solve No. 3? The answer is—the third problem can be solved only by co-operation, and the manufacturers and dealers have not learned to co-operate.

However, the third problem is no harder to solve than were the first two. The radio industry has jumped two hurdles. Now it must make a mighty effort and jump the third.

Many firms do not send out Sales Letters or advertise or employ canvassers because of the small percentage of sales. "It is a waste of money," they say. Yes. There is a waste. There is a percentage of waste in everything we do. But there is likely to be a net profit.

Suppose a firm sends out 1,000 Sales Letters to sell an article on which the profit is £1. Suppose it makes only 4 per cent of sales. The net profit will probably be £25. And £25 is worth making.

One motor-car dealer sent out canvassers who called on 10,000 possible customers and gave them booklets and invitations to call at the show-room. Result—1,000 people called and 100 cars were sold.

There was only 1 per cent of sales, but there was a handsome net profit.

Gold-producing companies have to put tons of earth into the hopper to get a tiny bit of gold, but it pays. In every business activity, we should not look at the percentage of waste, but at the percentage of net profit. We can never wholly avoid waste.

There are "57 varieties" of ways whereby a firm can save £100 and lose £1,000. Often, when a man says—"We can't afford it," he is knocking down his net profit.

There is many a busy man, who concerns himself with all manner of small jobs, who should engage an extra clerk to do most of these small jobs. He is so busy with routine work that he is neglecting the really important matters. He has no time to read or think or plan. He is saving £100 and losing £1,000 a year.

A firm has two hundred salesmen. To give every salesman two books on Salesmanship would cost £100. The Sales Manager says—"Can't afford it." And consequently much more than £1,000 is lost.

A manufacturer is obliged to issue a new catalogue. If he merely brings his old catalogue up to date, it will cost him £200. If he has a new attractive catalogue, with a cover in colours, it will cost him £300. He decides to save £100. He republishes the old catalogue. And he loses far more than £1,000.

A retailer has been spending £2 a week on window-display devices. He decides to save £100 a year. He stops buying these devices. And during the next year there is a heavy drop in his sales.

A small manufacturer is staggering along with a business that has got out of control. A competent Efficiency Expert offers to put it right for a fee of £100. The manufacturer says—"Can't afford it." And a year later he loses his whole business.

A business man who has been working nights as well as days to build up his firm has seriously neglected his health. He has indigestion and insomnia. His doctor tells him he must take a two months' rest and travel. "That will cost £100. I can't afford it," he says. Two years later he has a complete breakdown and loses his life.

All of us have known many such instances as these. Many a man and many a business have suffered heavy losses because of unprofitable economies. Before a man says "No" to any proposed expenditure, he should first ask himself—"What am I likely to lose if I DON'T spend this money?"

When Columbus asked an English King for enough money to finance the greatest voyage in the world, the King looked at him with dull eyes and said—"No, can't afford it." And so the most wonderful opportunity of the century was lost to England. In a word, economy may become a very costly obsession. Sometimes the amount saved is much less than what has been lost.

Retailers and wholesalers usually know how much they have lost by over-buying, but not many know what UNDER-BUYING has cost them. In fact, I can call to mind only one man—a wholesaler—who had a record made of how much he lost in one month by having goods out of stock. When he showed the figures to his buyers, they were incredulous. The

loss was fully THREE TIMES as much as they thought it was.

There is not only the loss of profits. There is the loss of customers. A customer who cannot be supplied with an article, goes elsewhere to buy it. Here we see that hand-to-mouth buying can be carried too far. Also, we see the necessity of an effective system of Stock Control.

A far-seeing business man, when he has a good year, ploughs in a fair percentage of his profits. He builds up reserves for the bad years that are likely to come.

He enriches his business as a competent farmer enriches his soil. He thinks first, not of pulling his profit out and spending it, but of making his business safe and still more profitable.

What every business man needs is enough working capital of his own. An overdraft may help him temporarily, but he must get rid of it as quickly as possible.

His business is weakened by its debts and it is strengthened by its reserves. This seems too obvious to be worth writing about, but there are thousands of business men who do not seem to know it.

Until a business has reserves, the owner of it—he and his wife and family—must exercise a good deal of self-denial. They cannot buy many things that they want to buy.

A business has its rights. It is entitled to a certain percentage of its net profits. To put it simply, if a man has a business making £600 net a year, he should live on £400 and leave the other £200 in the business.

A Professor of Economics, who is probably not

as wise as he looks, says that when extra profits are made by efficiency, or machinery, or mass production, the bulk of these profits should be paid out by increasing wages and by lowering the prices to customers. Only a small part of these extra profits, he says, should go to the shareholders in increased dividends.

Of course, he is wrong. He has never been a Managing Director. He does not see the consequences of this advice. The interests of the company —its credit and permanence—must come first. Too many politicians and theorists, in these days, are totally forgetting the rights of shareholders—the people whose capital created the company.

Surely at least one-half of all extra profits should go to the shareholders, one-quarter to employees and one-quarter to customers.

The amount of money that a company can borrow, or the number of new shares it can sell to investors, depends mainly upon the dividends it pays.

This new doctrine that nine-tenths of all extra profits should be given away is a destructive one. And in the long run it would not benefit either employees or customers.

All interest comes out of net profits, or, if no net profits are made, it comes out of capital. If a man borrows £10,000 at 5 per cent, and if he makes a profit of 15 per cent on the money, then he makes £1,000 by borrowing. But when the money is borrowed for purposes that do not yield profit, then the interest is a burden.

The amount that rate-payers and tax-payers have to pay every year for interest has now become a staggering total. And we are leaving this burden

to our children. A man told me that no debt should be contracted for a longer period than ten years. At first I said—"Impossible," but on second thoughts I think that was a wise suggestion, much too wise to be adopted. Every generation should pay its own debts.

"A business should be as big as is necessary to do a good job," said a wise Managing Director. We are now convinced, for instance, that the dairy, laundry and bakery businesses should be carried on in a big way, because their equipment has now become very expensive.

But in many other trades and industries it is still possible to make money and give good service with a small unit. A small shop or factory may be a little gold mine.

Many people write to me to ask—"How much capital do I need to start a business of my own?" It is a question that I can seldom answer correctly, unless I know the man who asks it.

There is no standardised amount of capital required to start any line of business. But there is this general rule—the more efficient a man is, the less capital he needs.

The ablest American merchant, John Wanamaker, started with £400. And more than one of the ablest retailers in London started with less than this.

In a business that has only a small amount of capital, the main thing is the TURNOVER. The less capital a man has, the more quickly he must sell his goods.

When a retailer has only £400 capital, for instance, he must try to turn over his goods 12 times a year. Then he will make 12 profits on his £400.

If he buys too many articles that take six months to sell, he will come to grief. Most small retailers are slowed down or stopped by their slow-selling goods.

So, a man's success depends upon his turnover, and his turnover depends upon HIMSELF. He must be efficient. He must please and keep his customers. He must know the art of salesmanship. And he must know what to buy.

A competent man, starting with £400, will double it in the course of a year, whereas an incompetent man will lose half of it.

I know one young man, whose father gave him £5,000 to start a business. At the end of a year he asked for £2,000 more. It was given to him and two years later his business went into bankruptcy.

As you can see, no amount of capital would have been enough for this young man. He was not a profit-maker. He was a money-loser.

If I may be allowed to make a few guesses, I would say that the capital likely to be necessary for several businesses is as follows:—

For a bakery business with sales of £2,000—£450.

For a confectionery business with sales of £1,600 a year—£400.

For a grocery business with sales of £3,000 a year—£540.

For an ironmonger with sales of £5,000 a year—£2,800.

For a restaurant with sales of £4,500 a year—£900.

For a tobacconist with news-stand, with sales of £2,600 a year—£500.

For a barber-shop with sales of £500 a year—£175.

Chapter Eleven

MORE AND MORE EFFICIENCY

THERE is a silly egotistical tradition in England that efficiency is "bad form." We have had too long this glorification of muddling. It has cost us hundreds of millions.

Worse still, it has caused a serious defect in character. It has produced inferior, not superior, individuals. The man who thinks it is not "the thing" to do his best is a poor stick.

No man, in any position, can be above efficiency. If he thinks he is, he is a fool. He is not a man of superior culture. He is ignorant. It is time that we were all agreed upon that.

"No, I don't need any efficiency methods. I can get along after a fashion," says Mr. Left-Behind. Of course he can for a time. A man with one lung can get along, too, after a fashion. But what about his vitality? What about his chances of a long life and a merry one?

A normal healthy man should have two lungs. And a normal healthy company should be efficient. It should have an up-to-date office. It should be well organised. It should have trained employees and competent managers.

Without these a company may jog along for a time; but it is a one-lung company. It is not fit to survive in the strenuous competition of today.

There is a delusion that the main thing in business is Size. It is not. The main thing in business is Efficiency. There are some big firms that made no net profit at all last year; and there are some

small shops that made £1,000 net.

I know one small factory with only 40 employees. It has belonged to the same family for three generations. It has almost always been busy. It makes satisfactory profits. Many of the large manufacturing firms are among its customers.

As soon as any big firm begins to depend upon its size, its net profits will fall off. Its expenses will pile up and it will become slow and unwieldy. A big business has many troubles that a small business knows nothing about.

Some big firms are not at all interested in efficiency because they are equally inefficient in all their departments. They regard their inefficiency as right and normal, as one department is as slack as another. Usually we notice efficiency because of contrasts, but in these firms there are no contrasts.

This reminds me of a story:—

Little five-year-old Jimmy was about to go to a party at a neighbour's house. His mother had a look at him and found that both knees were very black. One knee was nearly coal-black.

She sent him into the bathroom to wash his knees. After he had been for about ten minutes, she asked him—"Are your knees clean now?" "No, not clean," replied Jimmy, "but I've got 'em to match."

So, there are some firms that are like Jimmy. Their departments are not efficient, but they have "got 'em to match." There are quite a few such firms.

When I was installing efficiency methods and had such a firm for a client, I made it a habit to start with one department. Usually I started with the stores department. If it is in disorder, then there

is confusion and waste all down the line.

As soon as the stores department was ship-shape —as soon as the stores were kept like money—then the contrast between it and the other departments was striking. All the people in the firm then could see what efficiency means. And they became less opposed to it.

When efficiency work is to be done in a number of departments, the most practical rule is this—FIRST GET ONE RIGHT. If there are a dozen bays in a factory, start with one of them. This is more effective than to fiddle about with the lot. Take one bay and make it into an object-lesson to the others. Then the work will be done more easily and more quickly.

Suppose a firm has 50 salesmen and does not believe very strongly in staff training, the least that it should do is to select five of the salesmen and have them thoroughly trained.

Suppose a retailer has six windows and does not believe very strongly in up-to-date window display, the least that he should do is to have ONE window dressed by a competent display man.

Any firm that will not give efficiency a fair trial in a small way, at least, is hopelessly apathetic. It is stuck in a rut and complacent and nothing can be done for it. Its departments are like Jimmy's knees. They match in inefficiency.

Whenever we set out to apply efficiency principles to a factory, we usually begin with the store-room. The first thing to do is to train and help the stores-keeper to put his department in order. All materials, parts, tools, etc., ought to be protected. They should be kept as carefully as money.

If stores are kept all over the place—if anyone can raid the store-room—then there will be carelessness and waste and perhaps theft. If, for any reason, it is impossible to keep the stores properly, then there is very little use in trying to make the other departments efficient. The stores-keeper should not be ignored by the foremen and workers. He should be put in full control of his department.

In many large firms the office stores are kept very carelessly. They are stored here and there and everywhere, piled on top of cabinets, left forgotten in drawers and so on.

One big firm wanted some letterheads of a special sort. The clerk in charge of supplies said there were none in stock. The Office Manager was about to order the printing of 10,000. Then he thought he would first have a search. In half an hour he found 15,000 of these letterheads, stored away and forgotten in the drawers of clerks and typists.

A manufacturing firm does every possible thing to protect and control its money. Its money is looked after by the Chief Accountant, who has a high standing in the firm. But when any of its money is turned into goods, who looks after the goods? Are the goods looked after as carefully as the money is? The answer is—they are not.

The goods may not be all in the store-room. They may be scattered all over the factory or thrown in sheds here and there or left out in the yard. Besides the regular supplies, there may be half-finished goods, odd parts, etc. All these represent money, but they are not treated like money.

Now, in most Balance Sheets the inventory figure is larger than the cash figure. Why, then, is there

this common neglect of inventories? Certainly, there should be some one man, higher up than a clerk, who is responsible for all the materials, parts, etc., that are listed in the inventory. All goods should be treated as cash—protected and controlled like money. Here is one of the neglected jobs of industry.

A foreman in a big industrial Works in the Midlands told me—"I agree wholeheartedly with your principles and try to carry them out. But this is my opinion—the word efficiency means to most firms the dismissal of employees, as the first step." This foreman has, no doubt, facts and personal experience to back up his opinion. I have myself quite often seen a firm start what it called an "Efficiency" campaign by slashing names out of the pay-roll.

A man said to me—"I sacked eighteen people today. I'm cutting down my expenses." He was quite surprised when I told him I did not approve of this way of reducing expenses. I told him it was the LAST thing to do, not the first. To begin sacking puts a spirit of fear into a firm. It destroys loyalty and peace of mind.

A firm may be over-staffed. In that case the right thing to do is to start an Efficiency campaign. That will show the few obstructionists who should be let go. If they will not join in the good work, then they sack themselves. In the long run, an Efficiency campaign in a firm makes the firm grow, and new employees are taken on.

Here is a question that is often asked—"Is it not true that the word 'Efficiency' has been brought into disrepute in America and other countries by

the pretensions and performances of so-called experts?"

Yes, this is quite true. But what then? Is there a single word in the English language that has not been brought into disrepute by being misused? What about the word "Government"? Is it not being brought into disrepute in a score of countries? Must we, then, give up using it?

What about the word "Business"? Is it not continually being brought into disrepute by incompetent and dishonest people? What about "Religion" and "Christianity" and "Democracy" and scores of other great words that are often brought into disrepute?

Why single out "Efficiency" as the one word that should not be used? Rather absurd, isn't it? There is no other word in our language to take its place. It is the one best word to denote a higher percentage of result, secured by using what we call the "Scientific Method." Invariably, you will notice, those who do not like it are the men who have never either studied or applied it. Naturally, they don't like it. They don't know what it is.

Having spent twenty-one years in business life in the United States and twenty-five years in Great Britain, I have had an exceptionally good chance to compare the business methods of the two countries. There are very striking differences. Each country, in my opinion, can learn much from the other.

If we had learned more from America, we would have made quicker progress, and if Americans had learned more from us, they wouldn't have had so many crashes.

In America, for instance, decisions are made too

quickly. There is too little preparatory work done. In Britain decisions are made too slowly. And sometimes opportunities are lost.

In America a man is cheered on to succeed, but when he reaches the top he is attacked by the Government as a "malefactor of great wealth," and a flood of troubles pours over him.

In Britain a man is not cheered on to succeed. He is obstructed in many ways. But when he does climb to the top, he is honoured. Very likely he will go into the House of Lords and sit down with the Dukes and Bishops.

On the whole, I think the British way is better, but both ways might be improved. Certainly, America should find some way to confer honour upon her great Business-Builders; and we in Britain should give more encouragement to the men who are climbing up.

In America there is either enthusiasm or depression, according to business conditions. But in Britain there is very little of either. We are seldom excited and we never lose confidence.

It is easy to start a new enterprise in America, but harder to keep it going. In Britain it is hard to start a new enterprise, but easier to keep it going. Americans have more initiative, and we have more endurance.

America has a great deal of "high pressure" salesmanship, causing the loss of customers. We have too much "no pressure" salesmanship, which prevents us from getting new customers.

America has too many Conferences and we have too few. America has produced the largest companies, while in Britain the companies show the

highest percentage of net profit. America has the largest volume of speculation, while Britain has the largest and safest banks in the world.

So, here are just a few of the many differences between American and British methods. Naturally, we in Britain think that our methods are better, but no man should be so narrow-minded as to refuse to learn from other countries.

Fifty years ago there was a very general belief that the progress of civilisation had fairly well come to an end. Practically no one at that time foresaw what would be accomplished in electricity, telephony, radio, chemistry and so on.

No one foresaw the invention of motor-cars and the building of huge ocean liners and aeroplanes and sky-scrapers and Underground railways and hundreds of other things.

In 1886, Mr. Carrol D. Wright, the first Commissioner of Labour in the United States, made a complacent Report on the civilisation of his day. He said:—

"All the railways and canals needed have been built. A sufficient network of international communication has been established. The merchant marine has been perfected. We must now settle down and enjoy what has been accomplished, because the next fifty years will see no advance equal to the past fifty years."

Well, at that time, in 1886, Marconi was twelve years old. Orville Wright was fifteen, Madame Curie was nineteen and Henry Ford was twenty-three. They and hundreds of other inventors, scientists and organisers were quietly preparing to do such things as would revolutionise trades, indus-

tries and traditions.

It seems to all older people today that we have come to the end of our progress. We think that nearly everything necessary has been done. All that the coming generation can do, we think, is to "settle down and enjoy what has been accomplished." And we are wrong. Very likely more will be accomplished in the next fifty years than was done in the last fifty. There may be some lad of eighteen who will read this page, and who will revolutionise one of our trades or industries, or create an entirely new industry.

The fact is that we lack imagination. Nearly all older people do. We are too quick to say—"Impossible." The ancient Romans were satisfied with their civilisation. They were proud of themselves because they built the best roads in the world. But what they could do was little or nothing compared with what we can do today. They, too, lacked imagination.

So, better not let the idea get into your mind that everything has been done. There will be marvellous improvements made in the next fifty years in your trade or industry. Our children and their children will do many things which you and I regard today as being impossible. No doubt of that.

Several times in my life I have heard pessimists say—"This will put an end to amateur music." And in every case the pessimists were wrong. I heard it long ago, when player-pianos first came on the market. I heard it when gramophones were invented and when radio became universal.

The fact is that never before were there as many musical instruments sold as are being sold today.

All progressive piano-makers, in most countries, are having good sales. That new instrument—the piano-accordion—is causing its manufacturers to work overtime. There are several other new instruments, too, that have become very popular.

No doubt, when the big Football Leagues of professional players were organised, there were pessimists who said—"This will put an end to amateur football." We all know the answer—the Leagues acted as a stimulant to amateur players. There was more football, not less.

This is what has happened, too, in music. The self-playing instruments and the radio have created a greater demand for musical instruments of all kinds. This is not the end of the day for the music trades and industries. It is only the DAWN.

As a last word, I would say that the two foundation-stones of national prestige and prosperity are Character and Efficiency. The quality of a people and their methods of work—these are what decide the status of a nation.

The main thing is not population. Denmark, Sweden, Finland and Switzerland, for instance, are on a far higher level than Russia and China. There are nearly two thousand million people in the world, and there are not more than seventy millions of British people, all told.

There are far more rabbits than lions in the world, but this fact does not add value to the rabbits. From the point of view of creating and maintaining civilisation, about four-fifths of the people in the world simply do not count at all.

This is as true of a business as it is of nations. A firm may have two thousand people in it, but its

success depends upon those in it who have Character and Efficiency. There are quite a few firms in Britain now being managed by men who have Character but not Efficiency.

Nearly all of these firms are not doing very well. Some of them are slipping behind and will sooner or later fade out. It is always a pity when a firm, managed by good, honest men, goes down. Just a little Efficiency would have made it prosperous.

Then there are other firms, managed by keen but unscrupulous men. They do have a ruthless sort of Efficiency, but they lack Character. Sometimes they make wonderful profits for a time. They think of nothing else except immediate profits. But they do not win confidence and goodwill. They do not see the value of a good name. Sooner or later they run into a series of troubles. They begin to find out the meaning of the word "Retaliation." Then their profits begin to dwindle.

When a man has Character, it is not hard for him to acquire Efficiency. But it is not easy to acquire Character. It is not often that a crooked man has the inner power and persistence to straighten himself.

Character is the main thing, so we believe in Great Britain. Most of our people are people of integrity. All that we need, in order to make our business prosperous, is to be efficient as well.

Already we have thousands of businesses that may be said to possess both Character and Efficiency. All that we need, in order to maintain our high position in the world, is more and more of such businesses.

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